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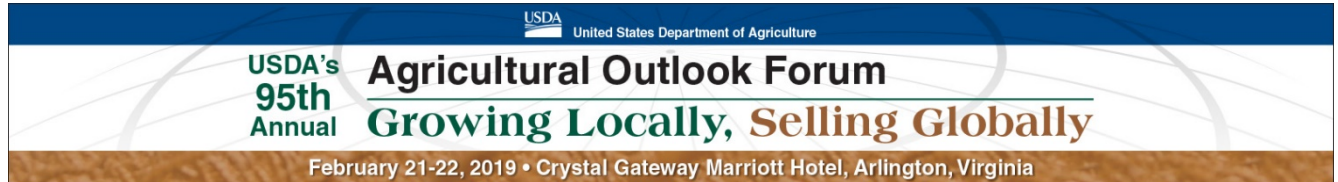
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United States Department of Agriculture



Livestock and Poultry Outlook

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www.usda.gov/oce/forum

OUTLOOK FOR LIVESTOCK AND POULTRY IN 2019

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Total red meat and poultry production in 2018 increased for the fourth consecutive year, growing just over 2 percent to a record 102.4 billion pounds. Production of most meats increased with the exception of turkey which declined about 2 percent. In 2019, red meat and poultry production is forecast to increase about 2 percent to reach a further record 104.7 billion pounds. Production records are forecast for beef, pork, and broilers.

The large production levels weighed on prices during 2018. Prices for cattle, hogs, and turkey were lower, but demand strength in the first half of the year supported broiler prices. Broiler prices did however, come under pressure later in the year. For 2019, prices for cattle and turkey are expected to rise, but hog and broiler prices are forecast lower. Exports for 2019 are forecast to increase for all major commodities although pork export growth is likely to be dampened by ongoing trade disputes.

Feed Prices will Remain Moderate and Economic Growth Will Support Demand

Feed prices during 2019 are likely to be relatively close to 2018. Corn prices in the first 3 quarters of 2019 are expected to be above a year ago, reflecting a forecast 2018/19 crop year average of \$3.60 per bushel, versus \$3.36 in 2017/18. Prices in the last quarter of 2019 are expected to be above 2018, reflecting an increase in the season average price to \$3.65 per bushel for 2019/20. Soybean meal prices in the first 3 quarters of 2019 will reflect a 2018/19 crop year average of \$315 per ton compared to a 2017/18 price of \$345 and prices in the fourth quarter are expected to reflect a market year forecast of \$320 for 2019/2020. Hay supplies on December 1, 2018 were almost 2 percent lower than year-ago, but this masks differences among the cattle-producing states. Among the major producing states, stocks in Texas, Nebraska, and South Dakota were lower, while those in Oklahoma and Kansas were higher than year earlier. Likewise, some states in the Southeast and Intermountain region had higher stocks, others had smaller stocks. Although only 6 percent of the U.S. cattle herd was located in areas with moderate or more intensive drought at the end of January 2019, areas with low availability of hay reserves or winter pasture will likely face more stress in the coming months.

Real U.S. GDP is expected to grow by more than 2 percent in 2019, somewhat lower than last year's growth. However, unemployment is forecast to continue to decline and consumer prices are forecast to increase less rapidly than in 2018; both these factors tend to be supportive for meat demand. Internationally, economic growth is forecast to be slower than last year. The value of the U.S. dollar

could dampen prospects for exports. Ongoing trade disputes also continue to create uncertainty in several export markets.

Cattle and Beef

Due to the government shutdown, the release of USDA's *Cattle* report has been delayed until February 28, 2019. As a result, inventory estimates as of January 1, 2019 are unavailable. However, due to biological lags inherent in cattle production, data from the July *Cattle* inventory report may provide some guidance in determining the potential for beef production in 2019. The July 1 *Cattle* report estimated that the herd was continuing to expand with both a higher total cattle inventory and higher numbers of beef cows. Producer sentiment for expansion was somewhat dampened however; in the July 1 report, producers indicated intentions to retain fewer heifers for addition to the beef cow herd. This caution was further evidenced by higher levels of beef cow slaughter through much of 2018 and increased placement of heifers on feed during the year. However, pasture and range conditions, which had worsened in mid-2018, improved in the later part of the year and although returns to cow-calf operators were weak during 2018 and hay supplies are low, the situation facing producers may not have been sufficiently poor to signal the end of the expansion of the beef cow herd.

In the July 1 *Cattle* report, the 2018 calf crop was preliminarily estimated at 36.5 million head, 2 percent above 2017 and the largest calf crop since 2007. A new estimate of the 2018 calf crop will be available on February 28. Improved forage conditions during 2017 and generally positive returns to cow-calf producers in 2017 likely supported the increase in 2018 calf numbers. Forage conditions in the Southern Plains were favorable for supporting herds and less than 10 percent of the U.S. cattle inventory were in areas of moderate or more intense drought in May 2017; this is a time when many breeding decisions for spring 2018 calving were made. However, December 1, 2018, hay stocks are low in much of the country and the ability of producers to maintain their cow herds through the winter will be an important determinant of operator decisions moving into 2019.

Again, due to the government shutdown, data on the number of cattle on feed on January 1 is not available. The estimate of cattle on feed in U.S. feedlots with a capacity of 1,000 head or greater on January 1 will be available on February 22, 2019 and the total number of cattle on feed in U.S. feedlots on January 1 will be available on February 28, 2019. The most recent data indicates that the number of cattle on feed on December 1, 2018 was 2 percent above 2017. While there was a 5.5 percent decline in placements during November, cattle are now remaining on feed longer. The proportion of cattle on feed over 150 days during the fourth quarter averaged 2-3 percentage points above 2017 and almost one percentage point above its 5-year average. To the extent feedlots continue to keep cattle on feed longer, this may moderate the pace of marketings during 2019. Imports of cattle are expected to have been about 1.89 million head in 2018 as continued tight supplies in Canada were offset by more available supplies in Mexico. Imports are expected to increase to 1.97 million head in 2019 as inventories, especially in Mexico expand.

Commercial beef production for 2019 is forecast to increase by about 3 percent, to 27.61 billion pounds, eclipsing the prior production record set in 2002. Steer and heifer slaughter will be above 2018 as feedlots market cattle from higher year-over-year inventories. Although the pace of placements during fourth quarter-2018 is expected to have been below that of 2017, supplies of cattle in feedlots at the end

of 2018 and those likely available for placement in the first half of 2019 are expected to support higher marketings during 2019. After reaching its highest level since 2013 in 2018, cow slaughter is expected to decline in 2019. Total commercial cattle slaughter during 2019 is expected to increase by just over 1 percent. Although muddy feedlot conditions and winter weather in early-2019 have affected weight gains in the first quarter, average carcass weights are forecast to average above 2018 in subsequent quarters.

Beef exports in 2018 are expected to have increased about 11 percent as U.S. beef prices remained competitive and global demand was firm. U.S. exports in 2019 will face the prospects of higher prices, but recent drought and flooding events in Australia may limit competing supplies during 2019. Beef exports for 2019 are forecast at 3.26 billion pounds, just over 2 percent higher than 2018.

Beef imports are forecast at 3.01 billion pounds for 2019, fractionally higher than 2018. U.S. cow slaughter is forecast lower and increased availability of fat trim from higher fed cattle slaughter may stimulate demand for lean processing-type beef. However, expected tightness of lean-beef supplies in Oceania may limit availability of beef from those major suppliers.

The 5-Area steer price for 2019 is forecast to average \$115 to \$122 per cwt, up slightly from 2018's average of \$117. Despite increased production beef demand is expected to remain strong and the willingness of feedlot operators to hold cattle in feedlots longer may help support prices during much of the year. Cow-calf operators and backgrounders will likely see lower prices during 2019 on a combination of higher feed prices, expected large supplies of cattle in feedlots and adequate supplies of calves available for placement. Feeder steer prices in 2019 are forecast to average \$141 to \$148 per cwt, compared to \$147 in 2018.

Hogs and Pork

Despite relatively poor returns, hog producers continue to expand herds. The opening of several new plants over the past 2 years has added capacity and expectations of strong demand to fill this capacity is likely underpinning the expansion. However despite increases in farrowings, the pace of expansion has been constrained by a slowing of the growth in pigs per litter.

The December 2018 *Quarterly Hogs and Pigs* report estimated that on December 1, 2018, the inventory of all hogs and pigs was 74.6 million head, about 2 percent above the prior year and the largest inventory since 1943. The breeding herd was 2 percent higher at over 6.3 million head. Although this is the largest breeding inventory since 1998, the year-over year rate of growth of the breeding herd is slower than that of the second and third quarter. Producer returns in 2016 and 2017 were slightly favorable and expectations of increased hog demand during 2018 and 2019 due to expanded slaughter capacity may have encouraged producers to expand production. Despite poor returns in the second half of 2018 producers continue to expand. In the most recent *Quarterly Hogs and Pigs* report, producers indicated they farrowed about 2 percent more sows in the second half of 2018 and intended to farrow about 2 percent more sows in first-half 2019. Although the rate of growth in pigs per litter appears to have slowed, the pig crops from the second-half 2018 and first-half 2019 which will supply the slaughter chain in 2019 will likely average about 3 percent higher than 2017-18. This larger pig crop is expected to result in record numbers of hogs marketed for slaughter in 2019.

U.S. hog imports are forecast at 5.2 million head for 2019, down fractionally from 2018. The January 1, 2019 Canadian hog inventory will be released on March 13 2019, but the mid-year inventory report indicated producers in Canada expected to farrow fewer sows in the second half of 2018. The majority (86 percent in 2018) of the pigs imported from Canada are feeder pigs and Canadian producers are likely feeling pressure from expanded U.S. production.

Commercial pork production for 2019 is forecast at a record 27.34 billion pounds, 4 percent higher than 2018. Although the increase will be primarily driven by higher slaughter hog numbers, carcass weights are forecast to increase slightly in 2019. Despite facing record-high slaughter numbers, especially in the fourth quarter, recent expansion of slaughter capacity should be able to absorb the expected availability of slaughter hogs.

Despite facing increased tariffs due to trade disputes, low product prices and increased global economic growth helped support increased sales during 2018. Exports in 2019 are forecast to increase as U.S. pork remains price competitive in international markets but ongoing trade restrictions will likely dampen the rate of growth. For 2019, pork exports are forecast at about 6.30 billion pounds, up 6 percent from 2018.

Imports are expected to have declined 5 percent in 2018 as increased domestic pork production and low domestic pork prices made the U.S. a less attractive market. With low prices expected to persist in 2019, imports will remain relatively low. Pork imports for 2019 are forecast at 1.06 billion pounds, fractionally lower than 2018.

U.S. hog prices, on a national base, 51%-52% lean, live equivalent, are forecast to average \$41 to \$44 per cwt for 2019, down from last year's \$46. Despite record slaughter, demand for hogs will remain relatively strong with the recent expansion of slaughter capacity. Nonetheless, larger supplies of pork are expected to require lower prices to compete with increased supplies of other meat and hog prices are expected to reflect at least part of the decline in pork prices.

Sheep and Lambs

Due to the government shutdown, the release of the January 1, 2019 sheep and lamb inventory data has been delayed until February 28. In 2018, commercial lamb and mutton production was 151 million pounds, 4 percent above 2017. In the face of weaker prices during late-2017 and through 2018, it is likely that production in 2019 will decline. For 2019 lamb and mutton production is forecast at 149 million pounds, down about 2 percent.

Lamb and mutton imports for 2019 are forecast at 279 million pounds, less than 2 percent higher than 2018. U.S. production is forecast lower, which is expected to help support demand for imported lamb. However, production growth in Australia and New Zealand is expected to be modest and constrain total exports from those countries. To the extent China remains a strong market for Australian sheep and lamb, growth in exports to the U.S. will likely be limited.

The St. Joseph Choice/Prime slaughter lamb price is forecast to average \$145 to \$152 per cwt for 2019, up from 2018's \$143. With tighter domestic supplies, prices are expected to be higher through the entire year.

Broiler Meat

For 2019, broiler meat production is forecast 1 percent higher at a record 43.1 billion pounds. During 2018, broiler-type layer flocks were above year-earlier, but the pace of growth slowed during the second half of the year. This likely reflects a response to a weakening of margins. Due to the government shutdown, flock data is not currently available for December, but at the beginning of December, the layer flock was about 1 percent above 2017. In the face of relatively weak margins expected during 2019, the sector is likely to remain cautious in flock expansion plans in the coming months. However, slaughter capacity is expected to expand in the later part of 2019 which will support demand for broilers. Broiler weights are expected to reflect slow, if any, weight gains among the heavier-weight bird categories as well as an expected increase in the proportion of lighter-weight birds.

U.S. broiler meat exports for 2019 are forecast to increase to 7.15 billion pounds, a 1 percent increase from 2018, but still below the 2013 record level of 7.35 billion pounds. Competitive prices or export products in a number of price sensitive markets will help support sales. Supplies of leg quarters, which supply a large share of U.S. exports, are expected to be ample with increased U.S. broiler production, and leg quarter prices thus far in 2019 remain below 2018.

The National Composite wholesale broiler price is forecast to average \$0.94 to \$1.00 per pound in 2019, compared with an average of \$0.98 in 2018. Prices will likely have to adjust to reflect both increased broiler meat production and competition from record supplies of beef and pork. However, expected strength in demand during 2019 are expected to help support prices.

Turkey

Turkey production for 2019 is forecast to increase fractionally to 5.92 billion pounds after declining in 2018. However, returns remain poor and whole bird prices have only recently begun to average above 2018. Eggs set in incubators through the first 3 quarters of 2018 were below year-earlier, but began to increase in the last quarter of 2018. However, the sector then slowed; the number of eggs in incubators on February 1, 2019 was 1 percent below 2018. Net poult placements in January were 11 percent lower, and with only limited increases in late-2018 and early-2019 egg sets, increases in first-half 2019 production will likely be modest and driven in part by slightly higher bird weights. Although the increase in second-half 2019 production may be slightly more rapid, the expansion will likely be dampened by continued relatively weak margins. For 2019, the National turkey hen price is forecast to average \$0.83-\$0.88 per pound, compared to an average of \$0.80 in 2018.

Turkey exports for 2019 are forecast to increase about 1 percent to 610 million pounds. Mexico is the largest destination for turkey exports and although small gains have been made in sales to other markets, China's continued Highly Pathogenic Avian Influenza (HPAI)-related restrictions on imports of poultry meat remain a damper on export growth. Although increased turkey production will increase the

availability of exportable product, higher prices may dampen the rate of growth, especially in price-sensitive markets.

Eggs

Total U.S. egg production in 2019 is expected to increase to a record 9.13 billion dozen, almost 2 percent higher than 2018. Table egg production in 2019 is forecast at a record 7.97 billion dozen, a 2 percent above 2018. As higher egg prices in 2017 and 2018 improved producer margins, the table egg laying flock expanded for the third year. On December 1, 2018, the table layer flock was 33.1 million birds, almost 3 percent above 2017 and 5 percent above its pre-HPAI level. Although weaker egg prices and higher feed costs in 2019 may weaken producer margins, the producers are expected to continue expanding flocks, albeit at a slower rate than the past couple years. The growth in the number of eggs per bird, which had been lagging historical growth rates in late 2017 and early 2018, has increased toward the end of 2018 and is expected to continue increasing during 2019 as older birds in the flock are replaced. Hatching egg production for 2019 is expected to be about the same level as 2018.

In 2018, egg and egg product exports are expected to have been 334 million dozen, shell egg equivalent, 6 percent lower than 2017. Exports were consistently below year-ago levels during July-November on declines of egg product exports to most major markets. Exports are expected to increase to 340 million dozen in 2019 as lower prices make U.S. eggs more attractive to importers.

For 2019, New York wholesale egg prices are forecast to average \$1.22 to \$1.29 per dozen, down from the \$1.38 average for 2018. Markets have become more stable with increased production and are expected to return to more typical seasonal price patterns.

Additional information about the 2018 livestock and poultry outlook is available at:

World Agricultural Outlook Board (WAOB)
World Agricultural Supply and Demand Estimates
www.usda.gov/oce/commodity/wasde/index.htm

Economic Research Service (ERS)
Livestock, Dairy, and Poultry Situation and Outlook
<https://www.ers.usda.gov/publications/?page=1&topicId=0&authorId=0&seriesCode=LDPM&sort=CopyrightDate&sortDir=desc>

Foreign Agricultural Service (FAS)
Livestock and Poultry: World Markets and Trade
<http://www.fas.usda.gov/data/livestock-and-poultry-world-markets-and-trade>