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Livestock and Poultry Outlook

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OUTLOOK FOR LIVESTOCK AND POULTRY IN 2020

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Total red meat and poultry production in 2019 increased to a record 105.2 billion pounds, the fifth consecutive year of increase. Beef, pork, and broiler production increased in 2019; however, production of turkey and lamb was lower. For 2020, red meat and poultry production is forecast to increase over 3 percent to 108.8 billion driven by record production of beef, pork and broiler meat. Although turkey production is expected to increase for the first time in 3 years, it will remain below its recent peak

With record beef and broiler meat production levels, cattle and broiler prices declined in 2019. Hog prices, on the other hand, increased despite higher production as strong packer demand, supported by increased slaughter capacity and export growth underpinned hog markets. After experiencing sharply lower prices in late 2017-18, turkey producers began cutting production. As turkey supplies were reduced in 2019, prices moved higher. For 2020, fed steer prices are forecast to remain fairly stable as production growth slows. Hog prices will increase despite relatively large gains in production as an increasing proportion of U.S. pork enters international markets. Broiler prices are expected to decline as the expected increase in production pressures prices. Turkey prices will average higher in 2020 as producers continue to balance supply and demand. Exports of all major meats are expected to increase in 2020.

Feed Prices will Remain Moderate and Economic Growth Will Support Demand

Feed prices during 2020 are likely to be slightly lower than 2019. Corn prices in the first part of 2020 are expected to be above a year ago reflecting a forecast 2019/20 crop year average of \$3.85 per bushel. However, prices later in the year are expected to be below 2019, reflecting a decline in the season average price to \$3.60 per bushel for 2020/21. Soybean meal prices in the first part of 2020 will reflect a 2019/20 crop year average of \$305 per ton and prices in the fourth quarter are expected to reflect a market year forecast of \$310 for 2020/2021. Hay stocks on December 1, 2019 were 84.5 million tons, an improvement over both 2017 and 2018, but well below the 92-96-million-ton level of 2014-16. Although stock levels were higher in a number of major cattle producing states, stocks were lower in Oklahoma, Nebraska and in many Southeast states. In addition, the quality of the hay is reportedly variable.

Real U.S. GDP is expected to slow in 2020, increasing less than the 2-percent or better rates of the past 3 years. However, unemployment is forecast to remain low and consumer prices are

forecast to only increase moderately relative to 2019; both these factors tend to be supportive for meat demand. Internationally, economic growth is forecast to be slower than last year. The U.S. dollar will likely strengthen slightly against key importers which could dampen prospects for exports. However recent trade agreements and imports from countries whose production has been affected by disease outbreaks are expected to be strongly supportive to meat exports.

Cattle and Beef

Last year appeared to mark the turning point of the cattle cycle. After the inventory increased for 5 years, the annual *Cattle* report estimated the number of cattle and calves on January 1, 2020 at 94.4 million head, down 0.4 percent from a year earlier. The number of cows and heifers that calved was estimated at 40.7 million head, down 1 percent from the previous year. The beef cow herd was estimated at 31.3 million head, 1.2 percent smaller than the 2019 estimate. The 2019 calf crop was estimated at 36.1 million head, less than 1 percent smaller than the 2018 calf crop.

The U.S. cattle inventory will likely decline further in 2020. The *Cattle* report estimated that producers retained 2 percent fewer replacement heifers for the beef cow herd this year, and fewer numbers of beef heifers expected to calve during 2020. Coupled with a fractionally smaller dairy cow herd and lower numbers of heifers retained for addition to the dairy herd, the stage is set for a smaller 2020 calf crop

The total number of cattle on feed in feedlots of all sizes on January 1 was 14.7 million head, up 2 percent from 2019; however the number of cattle outside of feedlots on January 1 was about 0.4 percent below a year ago. Thus, while feedlot inventories were the largest since 2008, the pool of cattle to replace them is smaller than last year. Although changes in producer decisions concerning heifer retention over the course of the year can affect the levels of heifers available for placement, current data would point towards declining placements and hence, feedlot numbers during the year. Imports of cattle were 2.04 million head in 2019, up from about 1.90 million head in 2018 and are expected to increase to 2.07 million head in 2020. Although inventory growth in Mexico will support increased cattle exports by that country, a combination of declining inventories and higher slaughter in Canada are expected to result in lower Canadian cattle exports.

Commercial beef production for 2020 is forecast to increase by about 1 percent, to a record 27.48 billion pounds. Supported by marketings from the large number of cattle currently on feed and higher cow slaughter in the first quarter, first half beef production will be above 2019. However, as cow slaughter declines and feedlot numbers shrink in response to lower placements in first-half 2020, beef production in second-half 2020 will fall below 2019. Total commercial cattle slaughter during 2020 is expected to be near 2019. Heavier cattle weights will support higher annual beef production in 2020. Gains in the aggregate carcass weight reflect a combination of a recovery in cattle performance vis-à-vis 2019's weather induced stress as well as a decreasing proportion of cows in the slaughter mix during 2020.

Beef exports declined over 4 percent in 2019. Exports to Japan, Mexico, Canada, and Hong Kong were lower although exports to South Korea, now the second largest market, increased.

U.S. exports are expected to increase to a record 3.3 billion pounds in 2020. To the extent that lower production in competitor countries such as Australia and New Zealand is expected to limit their export potential, the United States will likely find lower competition in several key markets. Recent trade agreements such as the U.S.- Japan Trade Agreement and planned tariff reductions in S. Korea's tariffs will also likely support increased exports. However, if economic growth in Mexico remains weak, U.S. exports to that market may face headwinds.

Beef imports are forecast at 2.88 billion pounds for 2020, 6 percent lower than 2019. Although U.S. cow slaughter is forecast lower for much of the year, tighter supplies of beef in Oceania and competition for lean beef from several Asian countries will likely limit imports.

The 5-Area steer price for 2020 is forecast to average \$117 per cwt, close to 2019's average of \$116.78 per cwt. Cattle prices will likely be pressured in the early part of the year by large numbers of market ready cattle in feedlots, but even as marketings decline later in the year, increased supplies of pork and broiler meat are expected to keep pressure on beef prices. Cow-calf operators and backgrounders will likely see higher prices during 2020 as feeder cattle supplies tighten. Feeder steer prices in 2020 are forecast to average \$146 per cwt, compared to \$142.23 in 2019.

Hogs and Pork

In 2019, the U.S. hog sector expanded for its 6th year, tying 1901-07 as the longest expansion on record. The December 2019 *Quarterly Hogs and Pigs* report estimated that on December 1, 2019, the inventory of all hogs and pigs was 77.3 million head, 3 percent above the prior year and second only to the 1943 inventory of 83.7 million head. The breeding herd was 2 percent higher at almost 6.5 million head. However, producer returns which had increased sharply during mid-2019, declined in the later part of the year and despite optimism for export demand, may have given producers pause in their expansion plans. In the most recent *Quarterly Hogs and Pigs* report, producers indicated they farrowed about one-half percent fewer sows in the second half of 2019 and intended to farrow slightly less than one percent more sows in first-half 2020. Nonetheless, the rate of growth in pigs per litter in the last 3 quarters of 2019 averaged about 3 percent and assuming continued gains in pigs per litter of 2 to 3 percent, the pig crops from the second-half 2019 and first-half 2020 which will supply the slaughter during in 2020 will likely average just above 3 percent higher than 2018-19. The larger pig crop is expected to result in a record hog slaughter in 2020. Despite increased slaughter capacity, timely marketings, especially in the last quarter, will be critical to preventing bottlenecks in the slaughter sector.

U.S. hog imports are forecast at just under 5.0 million head for 2020, down about 2 percent from 2019. Although the Canadian hog sector is forecast to increase slightly during the year, increased demand from exports channels are expected to boost demand for domestic slaughter, limiting the availability of hogs for export.

Commercial pork production for 2020 is forecast at a record 28.89 billion pounds, almost 5 percent higher than 2019. The increase will be primarily driven by higher slaughter hog numbers, but carcass weights are forecast to increase slightly in 2020.

Strong demand for U.S. pork pushed exports almost 8 percent higher to a record 6.32 billion pounds. Exports to a number of traditional importing countries, notably Mexico, Japan and South Korea, were lower while exports to China increased dramatically as high domestic pork prices made U.S. pork competitive even with the levels of tariffs and duties currently imposed. Exports in 2020 are forecast to increase. The recent U.S.–Japan trade agreement will help support exports as tariffs on U.S. pork are equated with those of competing exporters and China’s demand for pork is expected to remain strong. In other markets, such as South Korea, U.S. pork should be price competitive, helping support export growth as overhanging Korean stocks are worked down. However, increased economic growth in Mexico will be important for U.S. exports to that market. For 2020, pork exports are forecast at about 7.38 billion pounds, up 17 percent from 2019.

Imports declined for the second year in 2019 falling to 945 million pounds. This was the first time imports were below 1 billion pounds since 2013. Imports were lower as demand from China made the United States a less attractive market for most of our traditional sources of supply. With record large U.S. production in 2020 and continued strong demand from China, imports are expected to fall further in 2020. Pork imports for the year are forecast at 835 million pounds, 12 percent lower than 2019.

U.S. hog prices, on a national base, 51%-52% lean, live equivalent, are forecast to average \$49 per cwt for 2019, slightly higher than last year’s \$47.95. Despite record slaughter, demand for hogs will remain relatively strong with robust demand from the export sector

Sheep and Lambs

In 2019, the U.S. sheep and lamb inventory declined for its fourth year. The January 1, 2020 *Sheep and Goats* report estimated the total inventory of sheep and lambs at 5.2 million head, down fractionally from January 2019. The total breeding inventory was also down fractionally although the number of replacement lambs was up almost 2 percent.

For 2020, commercial lamb and mutton production is forecast to reach 146 million pounds, a decline of just over 1 percent from 2019. The smaller lamb crop in 2019 would suggest lower supplies for slaughter in the first part of 2020.

Lamb and mutton imports are forecast lower in 2020, despite lower production. Likely reduced availability of exportable supplies in Australia and strong competing demand from China will result in lower imports. Lamb and mutton imports in 2020 are forecast at 257 million pounds, down 6 percent from 2019.

Tighter domestic and import supplies are expected to support lamb prices in 2020. The National Choice/Prime slaughter lamb price is forecast at \$154 per cwt, a 3 percent increase from 2019 average price of \$149.58 per cwt.

Broiler Meat

For 2020, broiler meat production is forecast over 4 percent higher to a record 45.8 billion pounds. During 2019, broiler-type layer flocks were above year-earlier for most of the year with the pace of growth increasing in the last quarter. Despite pressure on margins, producers do not appear to be slowing the pace of expansion early in the year; however, it is expected that weaker prices will weigh on producers as the year progresses and that the rate of expansion will slow during the year. Broiler weights are expected to reflect an expected increase in the proportion of heavier-weight birds.

U.S. broiler meat exports for 2020 are forecast to increase to a record 7.4 billion pounds, a 4 percent increase from 2019 and eclipsing the prior record set in 2013. Large domestic supplies and robust international demand will support stronger exports in 2020. China's announcement late in 2019 that it was reopening its market to U.S. poultry meat will also help support increased sales as the year progresses. However, chicken prices in China have not increased to the same extent as pork or beef, which may affect the competitiveness of U.S. poultry meat.

The National Composite wholesale broiler price is forecast to average \$0.87 per pound in 2020, compared with an average of \$0.89 in 2019. Prices are expected to decline in the face of both increased broiler meat production and competition from record supplies of beef and pork.

Turkey

Turkey production for 2020 is forecast to increase 1 percent to 5.89 billion pounds. After production cuts in 2018 and 2019 in response to low prices, the market appears to have come into balance. Stocks declined to historical levels and prices began to recover in the second half of 2019. However, recent hatchery data has provided mixed signals as to whether the industry has committed to expanding. In recent months, eggs in incubators on the first of the month have been both above and below year-earlier levels. On the other hand, poult placements earlier in December, and January were above year. Nonetheless, with markets in closer balance, higher turkey prices during the year will be supportive to margins and are expected to encourage an expansion in production. For 2020, the National turkey hen price is forecast to average just under \$1.01 per pound, compared to an average of \$0.89 in 2019.

Turkey exports for 2020 are forecast to increase about 3 percent to 660 million pounds. Mexico remains the largest destination for turkey exports but with U.S. increasing production there may be increased opportunities to expand sales to other markets. 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 2020 is forecast to increase for the fifth consecutive year to reach a record 9.6 billion dozen, almost 2 percent higher than 2019. Table egg production in 2020 is forecast at a record 8.3 billion dozen, over 1 percent above 2019. High egg prices in late-2017 and in 2018 set the stage for a production expansion which is still ongoing. The table egg laying flock expanded during much of 2019 and on January 1, 2020, the table layer flock was 34.1 million birds, almost 3 percent above 2019. Although weaker egg prices in 2019 may have weakened producer margins, producers continue to add to their breeding flocks, signaling little intention to slow expansion thus far in 2020. Growth in the number of eggs per bird increased in 2019 and is expected to continue increasing during 2020; this will provide additional support for growth. Hatching egg production for 2020 is expected to increase in 2020, reflecting increases in both broiler and egg flocks.

In 2019, egg and egg product exports were 334 million dozen, shell egg equivalent, virtually unchanged from 2018. Weaker sales to Japan and the United Kingdom were largely offset by gains in sales to Mexico and Hong Kong. Exports are expected to decline to 310 million dozen in 2020 on stable global demand and as higher prices reduce the competitiveness of U.S. eggs.

Despite increased supplies, demand for eggs is expected to remain strong and support prices. For 2020, New York wholesale egg prices are forecast to average just under \$1.00 per dozen, up from the \$0.94 average for 2019.

Additional information about the 2020 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>