

A banner for the USDA's 94th Annual Agricultural Outlook Forum. The banner features a green top section with the USDA logo and name. Below this, a light green section contains the text 'USDA's 94th Annual' on the left and 'Agricultural Outlook Forum' in large bold letters on the right. Underneath 'Agricultural Outlook Forum' is the phrase 'THE ROOTS OF PROSPERITY' in a stylized, brown, serif font. The background of the banner shows a blurred image of a field with a white cow. At the bottom, a dark green section contains the text 'February 22-23, 2018 • Crystal Gateway Marriott Hotel, Arlington, Virginia' in white.

USDA United States Department of Agriculture
USDA's 94th Annual **Agricultural Outlook Forum**
THE ROOTS OF PROSPERITY
February 22-23, 2018 • Crystal Gateway Marriott Hotel, Arlington, Virginia

Livestock and Poultry Outlook

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OUTLOOK FOR U.S. Livestock and Poultry

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Overview

In 2017, total livestock and poultry production increased 2.6 percent on higher beef, pork, and broiler production. Turkey production was virtually unchanged. For 2018, the beef, pork and broiler sectors are all positioned to experience further expansion while the turkey sector is expected to experience a fractional production decline. Beef production will increase in 2018 as total cattle inventory, cow herd, and calf crop increased in 2017; however, a nearly 4 percent year-over-year decline in beef cow replacement heifers indicates that the rate of expansion is slowing. Conditions remain favorable for growth in pork production. Expansion in slaughter capacity is expected to continue this year. Producers will farrow more sows and increases in pigs per litter will continue to support larger pig crops. Broiler producers' response to good margins in the second half of 2017 and early 2018, heavier bird weights and increasing inventories are the primary factors behind the expected growth in the broiler sector.

Although demand is expected to be firm this year; prices for cattle, hogs, and broilers are expected to decline from the previous year, pressured by increased production. Turkey prices are also forecast lower as production continues to adjust to changes in demand. Export demand was good across livestock and poultry markets in 2017 and the strength is expected to carry into 2018.

Feed Outlook 2018

On an annual basis, feed prices are forecast lower (corn) to slightly higher (soybeans) in 2018. The annual 2017/18 corn price is forecast to average \$3.30 per bushel, down from \$3.36 per bushel in 2016/17. The 2018/19 average corn price is forecast to increase to \$3.40 per bushel. Soybean meal prices for 2017/18 are forecast to average \$305-\$335 per ton, up from the \$316 per ton price in 2016/17. The 2018/19 average soybean meal price is forecast at \$320 per ton.

Cattle

In 2017, the U.S. cattle herd expanded for the fourth consecutive year. The annual *Cattle* report estimated the number of cattle and calves on January 1, 2018 at 94.4 million head, up 0.7 percent from a year earlier. The number of cows and heifers that calved was estimated at 41.1 million head, up 1.4 percent from the previous year. The beef cow herd was estimated at 31.7 million head, 1.6 percent larger than the 2017 estimate. The 2017 calf crop was estimated at 35.8 million head, 2 percent larger than the 2016 calf crop.

The U.S. cattle inventory is expected to continue increasing in 2018; however, there are indications that the rate of expansion in the beef cow herd is slowing. The *Cattle* report estimated that producers will retain 3.7 percent fewer replacement heifers for the beef cow herd this year, and the number of beef heifers expected to calve during 2018 is 5.2 percent below 2017. Although producers are adding fewer replacement heifers, the beef sector is not expected to experience contraction in 2018. But, further declines in heifer retention could limit the rate of increase in the size of the calf crop going forward.

The total number of cattle on feed in feedlots of all sizes as of January 1 was 14.0 million head, up 7.2 percent; however the number of cattle outside of feedlots on January 1 was 2.3 percent below a year ago. The availability of small grains pastures likely affected the timing of placements in late-2017 and could affect the rate of placements in early 2018. As of January 1, the number of cattle grazing on small grains pastures was estimated 16.7 percent below year-ago levels, indicative that some cattle which might have gone on winter pasture in the fall went into feedlots instead. As these cattle were drawn forward, the number of calves outside feedlots declined; leaving fewer-than-expected cattle available for placement than in 2017.

Beef production for 2018 is forecast at 27.7 billion pounds, an increase of 5.9 percent year-over-year. In 2018, steer and heifer slaughter is expected to be above 2017. Cow slaughter is also expected to increase from 2017 levels. Total commercial cattle slaughter during 2018 is expected to increase 4 to 5 percent. Carcass weights are expected to increase in 2018 as feedlot operators will take advantage of the relatively favorable feed cost outlook for 2018.

U.S. beef exports are forecast to reach 3.0 billion pounds for 2018, up 5.7 percent from 2017 estimate of 2.9 billion pounds. Asian markets (Japan, South Korea, and Hong Kong) were the leading markets for U.S. beef exports in 2017, accounting for 57 percent of total exports. International demand strength is expected to carry into 2018. U.S. beef imports are forecast to reach 3.0 billion pounds in 2018, up 1.2 percent from 2017. Increased shipments from Australia and Mexico, to a lesser extent, are the primary drivers behind higher imports in 2018.

The 5-area Nebraska direct steer price for 2018 is forecast to average \$116-\$123 per cwt, 2 percent below 2017 the price of \$121.52 per cwt. Higher expected year-over-year fed cattle marketings, and subsequently, higher cattle slaughter in 2018 should keep prices under pressure. In January, cattle prices rose to \$122.72 per cwt, but prices are expected to ease into the spring as supplies of slaughter-ready cattle increase.

Pork

Pork producers will continue to expand production in 2018 through growth in both the breeding herd and pigs per litter. Producer returns were positive for much of 2017 although profits were squeezed in late-2017, they recovered in early-2018. With four new-slaughter facilities coming on-line in 2017 and one more expected to open in late-2018, record hog slaughter is expected to take place in 2018.

The December 2017 *Quarterly Hogs and Pigs* report estimated that on December 1, 2017 the inventory of all hogs and pigs was 73.2 million head, 2.4 percent higher than 2016. The breeding herd was estimated 1.1 percent higher than the previous year at 6.2 million head. Producers farrowed 3.1 million sows in the September-November period, up 2.1 percent from the previous year. Expansion in the hog industry continues to be driven by a larger breeding herd and productivity gains. Pigs per litter increased to 10.74 head for the September-November quarter, an all-time record high for any period, resulting in a record large pig crop of 33.4 million head, up 3.2 percent year-over-year. For 2018, producers intend to farrow 2.8 percent more sows in December-February and 2.3 percent more in March-May. With continued growth in productivity and larger expected pig crops, there will be more than 4.7 percent more hogs to kill this year.

In 2018, pork production is forecast to reach 26.9 billion pounds, surpassing last year's record. Increasing slaughter hog inventories and heavier hog carcass weights will boost commercial pork production 5.1 percent higher than 2017. Pork production during 2017 increased 2.6 percent to 25.6 billion pounds on higher hog numbers as average hog weights did not increase in 2017.

Pork exports for 2018 are forecast to reach 5.9 billion pounds, almost 5 percent higher than 2017. Lower pork prices and firm global demand for meat proteins is anticipated to underpin U.S. pork exports in 2018. In 2017, shipments to Mexico and Japan accounted for over 50 percent of total exports. Exports to China were down year-over-year, while purchases from South Korea rose 29 percent year-over. Also, U.S. pork exports made substantial inroads into Latin America in 2017. Record exports were recorded to Colombia, Chile, and the Dominican Republic. Pork imports for 2018 are forecast at 1.0 billion pounds, down 10.2 percent from 2017. Canada, Poland, and Denmark are the three largest provider of pork to the United States, accounting for 86 percent of total imports in 2017.

The U.S. hog price, on a national base, (51%-52% lean) is forecast at \$47 - \$49 per cwt, down from last year's annual average of \$50.48. Despite then-record production, last year's higher hog prices were supported by increased packer demand as new pork processing facilities came on line in the second half of 2017 as well as robust demand. Although packer demand will remain strong through 2018, higher forecast pork production is expected to pressure prices lower this year.

Sheep and Lambs

In 2017, the U.S. sheep and lamb inventory declined for the second year. The January 1 *Sheep and Goats* report estimated the total inventory of sheep and lambs at 5.2 million head, down 0.4 percent from January 2017. After increasing inventories in 2015 and 2016, likely in response to strong prices in 2014 and 2015, weaker prices in 2016 may have resulted in producers scaling back inventories. Inventories are likely to decline during 2018 as producers have indicated intentions to reduce the breeding flock. The total breeding inventory was down 1.2 percent and the number of replacement lambs was down 0.8 percent.

For 2018, commercial lamb and mutton production is forecast to reach 144 million pounds this year, a decline of 0.6 percent from 2017. The smaller lamb crop in 2017 coupled with the slight decline in the breeding inventory will likely manifest itself in fewer animals being available for slaughter in 2018.

Lamb and mutton imports are forecast higher in 2018, helping to partially offset smaller domestic supplies as was the case in 2017. Lamb and mutton imports for 2018 are forecast at 254 million pounds, up 1.0 percent from 2017. Since 2014, imports have supplied over 50 percent of the U.S. lamb and mutton supply. In 2018, imports are expected to account for 59 percent of the supply.

The San Angelo Choice slaughter lamb price is forecast at \$132 - \$139 per cwt for 2018, a 4 percent decrease from 2017 average price of \$141.22 per cwt. Lamb prices are expected to improve slightly through the summer quarter but remain below year ago levels.

Broilers

Broiler production is forecast to increase 2.3 percent to 42.6 billion pounds in 2018. Based on recent hatchery data, the U.S. layer flock increased in 2017 while eggs per layer remained below year earlier. More layers have been required to offset the reduction in the rates of eggs per layer and chick placements for incubation. In addition to an increasing layer flock, steady growth in bird weights through second half of 2017 and into early 2018 is helping to support higher broiler meat production forecasts this year. After declining in 2016 as the industry was impacted by breast muscle myopathy or "woody breast", the

proportion of heavier-weight birds produced increased in 2017, supporting higher average bird weights. Bird weights are expected to trend higher in 2018.

U.S. broiler meat exports are forecast to increase 2.5 percent to nearly 7.0 billion pounds in 2018. In 2017, exports increased 2 percent to 6.8 billion pounds as exports continued to make progress towards recovery from the disruptions of the 2015 HPAI outbreak. For 2018, further recovery is expected as gains from the reopening of S. Korea to U.S. exports in late-2017 are expected to build. However, 2018 exports are still forecast below pre-HPAI levels. Also, larger exportable supplies, and improved shipments to developing markets in Sub-Saharan Africa, the Caribbean and Central America will support further expansion in broiler meat exports.

The 12-city broiler price is forecast to average 88 - 94 cents per pound in 2018, compared with an average of 93.5 cents per pound in 2017. Strong domestic demand for broiler meat supported higher prices in 2017 and is expected to carry into 2018 although with lower price expectations as production growth pressures prices.

Turkey

Turkey production in 2018 is forecast to reach nearly 6.0 billion pounds, down fractionally from 2017. Producer margins began to decline in late 2016 and continued through 2017 as production out-paced domestic demand for turkey products. Margins deteriorated as the higher wholesale prices in 2016 plummeted in 2017. Recent hatchery data indicates lower production levels in the months ahead as placements and eggs hatched declined significantly along with eggs placed in incubators. Turkey production is forecast to decline below year ago levels in the first and second quarters of 2018; however, production growth should begin to slowly recover in the last half of the year as supplies and demand move into balance and prices improve seasonally.

Exports appear to be a silver lining for the turkey sector in 2018. In 2017, exports were estimated 9.0 percent higher year-over; and for 2018, turkey exports are forecast to rise 3.9 percent to nearly 645 million pounds. Exports to Mexico, the largest market for U.S. turkey, are expected to remain firm in 2018.

The national whole-hen frozen turkey price continues to remain below 2017 and the five year average. Domestic demand for turkey appears weaker relative to previous years. In the face of strong competition from competing meats, turkey prices will remain under pressure. The turkey price for 2018 is forecast to average 88 - 94 cents per pound for the year, 5 percent below prices in 2017.

Eggs

Total U.S. egg production for 2018 is forecast to 8.9 billion dozen, up 2.1 percent from 2017. In 2017, hatching egg production declined nearly 0.6 percent last year but is expected to increase 1.5 percent in 2018 as both broiler and egg flocks are expected to increase. Table egg production rose 2.7 percent in 2017 and is expected to increase another 2.2 percent in 2018. Favorable margins, due to high prices in 2017 and into 2018, will support producer intentions to expand egg production in 2018. As of January 1, layer-type eggs in incubators were 17.4 percent higher than the previous year, setting the stage for continued expansion in 2018.

Egg exports for 2018 are forecast to reach 320 million dozen, down fractionally from 2017 on slower growth in several key destinations.

For 2017, New York wholesale eggs price estimate was 100.9 cents per dozen, with prices surging in the third and fourth quarter of the year. For 2018, the New York egg price forecast is expected increase 16 percent, averaging 114 – 121 cents per dozen.