

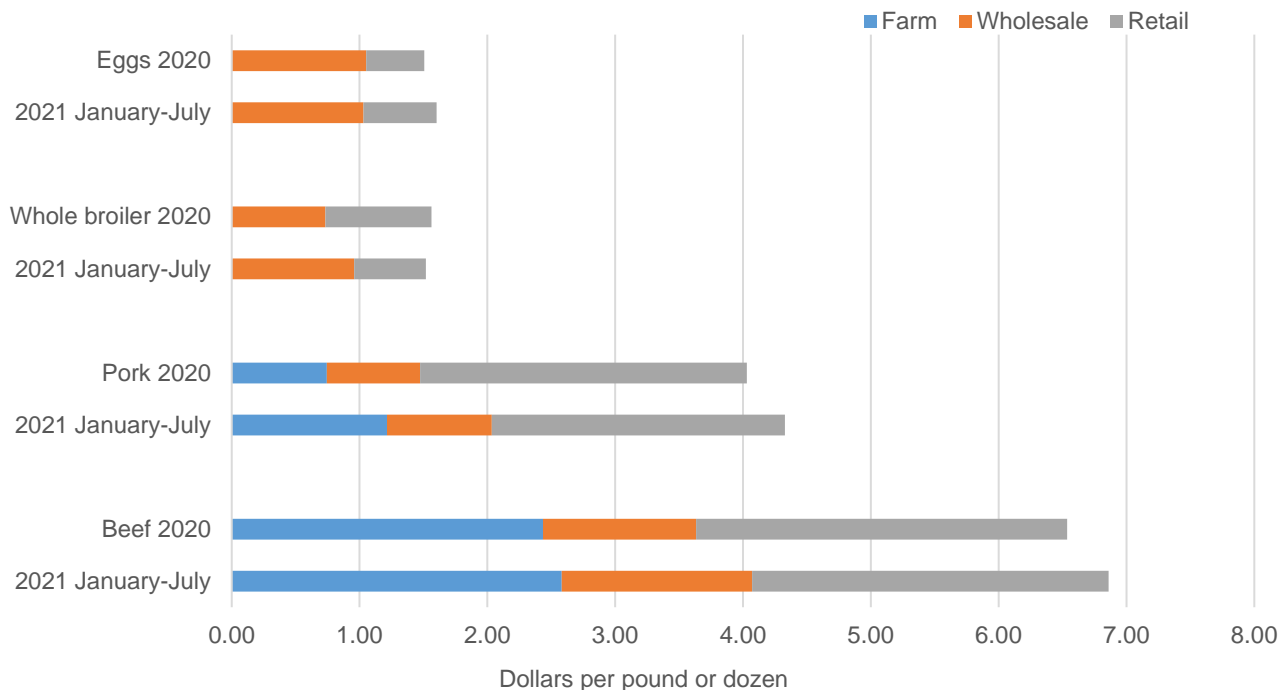


# Livestock, Dairy, and Poultry Outlook

## Retail Prices for Eggs, Chicken, Pork, and Beef

The figure below shows the averages for 2020 and the year-to-date (January-August) figures for the retail and wholesale values for eggs, chicken, pork, and beef and the farm values of pork and beef. To date, 2021 has had higher retail prices for all the products except broilers. Retail egg prices in 2021 average \$1.60 per dozen, up 9 cents over 2020. Broiler prices average \$1.52 per pound in 2021, 4 cents below their 2020 average; the 2021-to-date pork price is \$4.33 per pound, 30 cents higher; and beef prices average \$6.86 dollars per pound, 32 cents higher. The average farm values of pork and beef are higher so far in 2021 than they were in 2020. With the exception of eggs, wholesale values are higher in 2021 as well.

Retail, wholesale, and farm values for eggs, broilers, pork, and beef



Source: USDA, Economic Research Service.

**Beef/Cattle:** Cow slaughter is expected to be higher during the second half of the year, partly offsetting declines in steer and heifer slaughter. But coupled with lighter expected dressed weights, the forecast for 2021 beef production was reduced to 27.742 billion pounds, down 130 million pounds from last month. Fed and feeder steer prices were raised in the second half of 2021 and into 2022 as strong beef demand supports higher cattle prices. Beef imports in July totaled 307 million pounds, a reduction of 19 percent, or 70 million pounds, from a year ago. The annual forecast for 2021 beef imports was raised to 3.142 billion pounds. U.S. beef exports totaled 297 million pounds in July, up 17.9 percent or 45 million pounds, year over year. The annual forecast for 2021 was revised up 30 million pounds to 3.414 billion pounds from last month.

**Dairy:** The all-milk price forecasts for 2021 and 2022 have been raised due to recent changes in dairy product prices, higher expected dairy exports, and lower expected milk production. The all-milk price forecast for 2021 is \$18.15 per hundredweight (cwt), \$0.20 higher than last month's forecast. The all-milk price forecast for 2022 is \$18.40 per cwt, \$0.55 higher than the August forecast. Milk production forecasts for both 2021 and 2022 have been lowered based on lower expected milk cow numbers and yield per cow. Export forecasts have been raised due to higher expected exports of dry skim milk products, whey products, cheese, and butterfat products.

**Lamb/Sheep:** Reported prices for lambs have been higher in the second and third quarter of 2021 than they have been in years. Unexpected high prices for lambs lead to increases in the forecasts for lamb prices for the remainder of 2021 and all of 2022. Lamb and mutton imports since quarter 2 of 2021 have been higher than expected. High lamb prices coupled with higher imports suggests that U.S. lamb demand has shifted up compared to last year. Higher domestic demand and prices will encourage increased imports of lamb and mutton.

**Pork/Hogs:** Pork production forecasts for the third and fourth quarters of 2021 are reduced 80 and 5 million pounds, respectively, on expectations for continued lower hog slaughter numbers and dressed weights. Total pork production in 2021 is expected to be 27.7 billion pounds, almost 2 percent lower than a year ago. Second-half 2021 pork export forecasts are reduced 75 million pounds on expectations for lower shipments to China/Hong Kong. Total pork exports in 2021 are expected to be 7.334 billion pounds, about 1 percent higher than last year. Quarterly forecasts for exports in 2022 are unchanged from last month, with total shipments to foreign destinations expected to be 7.3 billion pounds, about 0.5 percent below the 2021 forecast.

**Poultry/Eggs:** Broiler production forecasts were adjusted up in the third quarter and down in the fourth quarter for a net increase in 2021 production from last month. Forecast broiler exports were adjusted down in 2021 after shipments returned to more typical levels in July. Broiler prices were adjusted up on recent data. The third-quarter 2021 table egg production forecast was revised up due to higher productivity of the layer flock, while the 2022 table egg production forecast was revised down based on recent hatchery supply data. Wholesale egg prices (New York, Grade A Large) forecast for third and fourth quarter were revised up. Egg exports have been revised up for the remainder of the year based on robust foreign demand. Turkey production forecasts for the second half of 2021 were adjusted down, reflecting July production data and below-average placement data. Turkey exports were also adjusted down reflecting decreased production expectations. Turkey prices were adjusted up in both 2021 and 2022.

### **Special Article: U.S. Beef Imports Down Most of the Year on Multi-Month Reduction in Shipments from Australia**

The United States is the second largest beef importer in the world. Australia is one the major beef suppliers to the United States; in 2020, it accounted for 19.8 percent of total U.S. beef imports. Since

the fall of 2020, Australia has been restocking its cattle inventory, which has reduced its exportable beef supply. As a result, U.S. beef imports from Australia have been down year over year since October 2020. This special article evaluates the impact Australian beef exports have had on the U.S. total beef imports and discusses and compares differences in U.S. imports from Australia in 2020 and 2021.

# Beef/Cattle

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Christopher G. Davis and Hannah Taylor

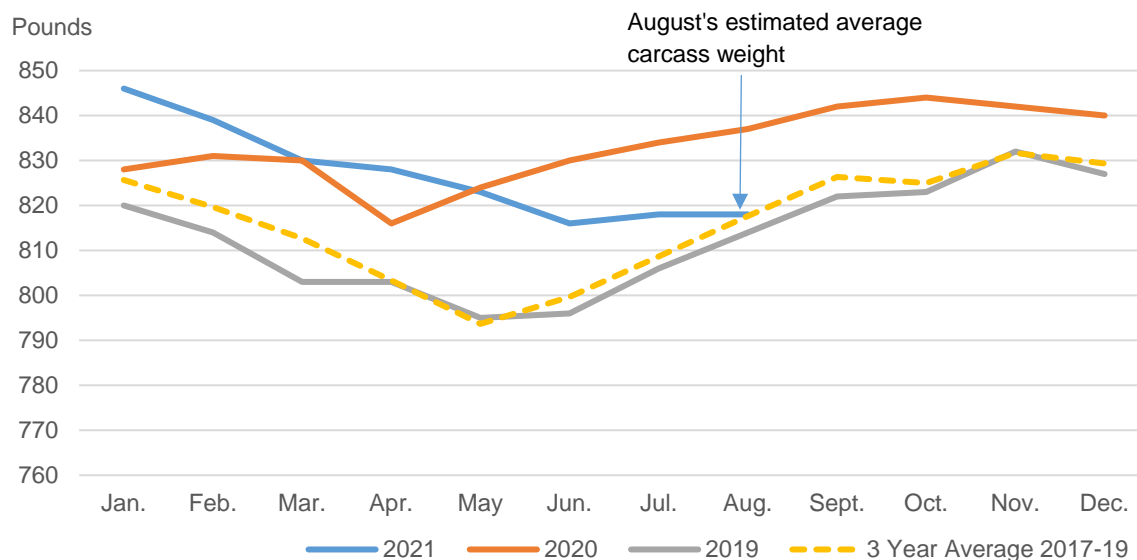
## Beef Production Revised Lower on Lighter Dressed Weights and Lower Steer and Heifer Slaughter

Slaughter remains year-over-year higher. Preliminary estimated Federally Inspected cattle slaughter for August was up 3.1 percent from a year ago. Notably, the weekly estimated FI cow slaughter through August 28 was up 13 percent year over year.

The increase in August slaughter in part reflects 1 additional slaughter day in August 2021 relative to last year. However, the report also shows that average cattle dressed weights remain below last year, largely due to the fact that cattle had backed up because of Covid and were heavier because they had been on feed longer. For the week ending August 21, average cattle carcass weights were 12 pounds below the average weight compared to the same week last year. Estimated cow, steer, and heifer average carcass weights were 6, 7, and 13 pounds, respectively, below levels a year ago. In addition, the proportion of cows in the slaughter mix has helped push the average carcass weight lower. The number of cows anticipated to be slaughtered during the second half of the year is higher than in the first half, given the persistence of the drought and weakening returns in the dairy sector. As the chart below shows, the August estimated average carcass weight was less than a year ago. The average carcass weight for August 2019 was even lower than August 2021.

The forecast for 2021 beef production in the second half of this year was reduced slightly as lighter average carcass weights and lower steer and heifer slaughter are expected to more than offset the second-half increase in cow slaughter. As a result, this month's forecast for 2021 beef production is 27.742 billion pounds, down 130 million pounds from last month. The forecast for 2022 beef production was lowered 90 million pounds to 26.875 billion pounds from a month ago, based on the same reasons the 2021 annual forecast was revised down.

## August's average dress weights, 2018-2021



Note: The August average dress weight is an estimate.

Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service.

## Beef Prices Expected To Be Up in Second-Half 2021 and into 2022

Now that Labor Day and grilling season are officially behind us, the seasonal trend is for beef prices to fall in September and October. According to the *National Weekly Boxed Beef Cutout and Boxed Beef Cuts* report, Choice and Select boxed beef prices for the week ending September 10, 2021, were down more than \$7 and nearly \$11 from the prior week at \$332.46 and \$297.47 per hundredweight (cwt), respectively. The August average price for 5-Area fed steers was \$124 per cwt, almost \$20 more than a year earlier, but the fed steer price for the week ending on August 30 was \$125.74, while the fed steer price for the week ending on September 13 was \$124.79 per cwt. Relative price strength is likely to persist as demand for beef remains strong. The fourth quarter forecast for the fed steer price was increased by \$4 to \$131 per cwt from a month ago based on current price strength and firm demand. The 2021 annual forecast for fed steer price was raised \$1 to \$122.20 per cwt, while the 2022 annual forecast was revised up \$2 from last month to \$128 per cwt on tighter supplies.

For August, Oklahoma City National Stockyards feeder steers weighing 750-800 pounds averaged \$156.48 per cwt, \$14.94 above a year ago. The third-quarter forecast was raised by \$1.00 to \$154.00 per cwt while the fourth-quarter forecast was increased \$2.00 to \$155.00 per cwt. These changes raised the 2021 annual forecast price for feeder steer to \$145.90 per cwt, up \$0.80 from last month. The annual forecast for 2022 was also raised by \$3 to \$155 per cwt, from a month ago as lower forecast feed costs will likely support feedlot demand.

## Beef Imports Remain Strong in July; Import Forecasts Raised

Beef imports in July totaled 307 million pounds, down from last year by 19 percent or 70 million pounds. July 2020 imports were the second-largest on record, making July 2021 imports look small by contrast. However, compared to 2019, July imports were up 15 percent, or 40 million pounds. Compared to a 5-year average from 2016 to 2020, July imports were up 2 percent. Imports from Canada, Brazil, and Nicaragua were all up notably year over year. Canada's July shipment was the highest since September 2005, accounting for just over 28 percent of total July beef imports.

Imports were down year over year from Australia, Mexico, New Zealand, Uruguay, and Argentina. Shipments from Australia, Mexico and New Zealand were especially strong in July 2020, so a year-over-year comparison may be misleading. Compared to July 2019, imports from Mexico and New Zealand were up. U.S. imports from Australia remain low as herd rebuilding continues in the country.

The forecast for 2021 third-quarter beef imports was raised 25 million pounds to 855 million pounds reflecting recent trade data. The annual forecast for 2021 beef imports is raised to 3.142 billion pounds. The annual forecast for 2022 beef imports remains unchanged from last month at 3.150 billion pounds.

<b>U.S. year-over-year beef imports from major suppliers</b>						
	July 2020	July 2021	Difference in volume	Year-over-year change	Import share June 2020 Year-to-date	Import share June 2021 Year-to-date
	- Million pounds-			--- Percent --	--- Percent --	--- Percent --
<b>Canada</b>	80.4	87.4	7.0	8.7	23.2	28.2
<b>Australia</b>	79.5	32.7	-46.8	-58.9	20.1	11.7
<b>Mexico</b>	64.4	60.4	-4.0	-6.2	21.1	20.3
<b>New Zealand</b>	79.0	52.1	-26.9	-34.1	18.1	17.6
<b>Brazil</b>	28.2	32.2	4.0	14.2	4.8	9.1
<b>Nicaragua</b>	9.8	19.9	10.1	103.1	5.6	5.7
<b>Uruguay</b>	20.0	13.0	-7.0	-35.0	4.1	4.4
<b>Argentina</b>	8.2	4.9	-3.3	-40.2	1.1	1.4
<b>ROW</b>	7.3	4.0	-3.3	-45.2	2.0	1.6
<b>Total Imports</b>	376.8	306.7	-70.1	-18.6	100.0	100.0

ROW = Rest of World

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

## U.S. Beef Exports Continue To Rise in July

In July, U.S. beef exports totaled 297 million pounds, exceeding last July's exports by 17.9 percent or 45 million pounds. The rise in part reflects large shipments of U.S. beef to China, the largest U.S. beef exports to China, ever recorded, totaling almost 45 million pounds more than the previous year. Total beef exports for the January–July period in 2021 were up 21 percent over the first 7 months of 2020, with 14.4 percent being shipped to China.

Of the seven major destinations for U.S. beef, Mexico—currently the fourth-largest U.S. beef importer—was the other country that contributed to the increase in beef exports in July, accounting for 8.5 percent of July’s total exports and 9.3 percent of U.S. exports year to date. Indonesia, a smaller destination, made a sizeable contribution to the increase in beef exports in July. U.S. beef exports to Indonesia totaled 7.1 million pounds, by far the largest volume the United States has ever exported to that country.

Reductions in beef exports were reported for five of the U.S. top-seven destinations. Hong Kong had the largest year-over-year decrease, a 9-million pound decline. The remaining reductions in beef shipments to major destinations were relatively small, less than 3.2 million pounds, year over year. However, the year-over-year reductions in beef exports in July were not enough to offset the year-over-year escalation in beef exports that month.

The forecasts for 2021 third and fourth quarters were raised 20 million and 10 million pounds to 900 and 845 million pounds, respectively, on anticipated strong beef demand from key trading partners. The annual forecast for 2021 was revised up 30 million pounds to 3.414 billion pounds. The forecast for 2022 was unchanged from last month at 3.270 billion pounds.

<b>U.S. year-over-year beef exports to major destinations</b>						
	July 2020	July 2021	Difference in volume	Year-over-year change	Export share July 2020 Year to date	Export share July 2021 Year to date
	- Million pounds-			--- Percent -	--- Percent --	--- Percent --
<b>Japan</b>	76.2	73.0	-3.2	-4.2	31.1	24.6
<b>South Korea</b>	66.6	65.9	-0.7	-1.1	23.3	23.8
<b>China</b>	6.2	51.0	44.8	722.6	1.6	14.4
<b>Mexico</b>	19.0	25.2	6.2	32.6	9.6	9.3
<b>Canada</b>	25.7	22.9	-2.8	-10.9	10.6	8.1
<b>Taiwan</b>	18.5	18.1	-0.4	-2.3	6.7	5.6
<b>Hong Kong</b>	17.6	8.6	-9.0	-51.1	6.7	3.8
<b>ROW</b>	22.6	32.6	10.4	44.2	10.4	10.4
<b>Total Exports</b>	252.3	297.3	45.0	17.8	100.0	100.0

ROW = Rest of the World.

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

# Dairy

Jerry Cessna and Angel Teran

## Recent Wholesale Dairy Product Prices

From the week ending August 7 to the week ending September 4, directions of changes in wholesale dairy product prices reported in the USDA *National Dairy Products Sales Report* (NDPSR) were mixed. The price of 40-pound blocks of Cheddar cheese increased to \$1.7737 per pound (+11.4 cents), and the price of 500-pound barrels (adjusted to 38 percent moisture) rose to \$1.5011 per pound (+4.0 cents). The butter price increased to \$1.7527 per pound (+4.8 cents), but prices for nonfat dry milk (NDM) and dry whey decreased to \$1.2621 per pound (-0.6 cents) and \$0.5386 per pound (-4.2 cents), respectively.

### Dairy wholesale product prices from USDA *National Dairy Products Sales Report* (dollars per pound)

	For the week ending		Change
	August 7	September 4	
Butter	1.7046	1.7527	0.0481
Cheddar cheese			
40-pound blocks	1.6599	1.7737	0.1138
500-pound barrels*	1.4609	1.5011	0.0402
Nonfat dry milk	1.2679	1.2621	-0.0058
Dry whey	0.5805	0.5386	-0.0419

\*Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*, September 9, 2021.

For the trading week ending September 10,<sup>1</sup> Chicago Mercantile Exchange (CME) spot prices 40-pound blocks and 500-pound barrels of Cheddar cheese averaged \$1.7625 and \$1.4669 per pound, respectively. CME prices for butter, NDM, and dry whey averaged \$1.7869, \$1.3550, and \$0.5200 per pound, respectively.

Except for dry whey, U.S. prices have continued to be substantially lower than corresponding export prices of major competitors. Most dairy export prices for Oceania and Western Europe reported by USDA *Dairy Market News* (DMN) declined from July to August. However, butter export prices increased for both regions.

<sup>1</sup> While the end of each week for NDPSR average prices falls on a Saturday, the trading week for CME usually ends on a Friday.



**International dairy product export price averages** (dollars per pound)

Product	Region	July	August	Change
Butter	Oceania	2.044	2.124	0.080
	Western Europe	2.121	2.128	0.007
Skim milk powder	Oceania	1.440	1.389	-0.051
	Western Europe	1.354	1.343	-0.011
Whole milk powder	Oceania	1.758	1.653	-0.105
	Western Europe	1.715	1.699	-0.016
Cheese	Oceania	1.894	1.887	-0.007
Dry whey	Western Europe	0.552	0.543	-0.009

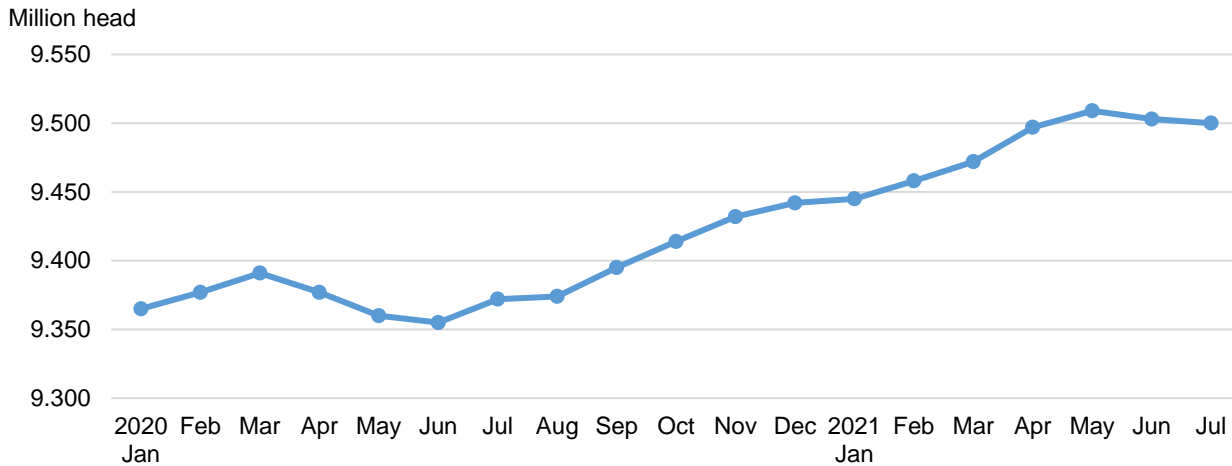
Source: USDA, Agricultural Marketing Service, *Dairy Market News* price averages.

The Global Dairy Trade (GDT) price index for the September 7 trading event was up 4.0 percent, with average prices for all products increasing from the August 17 event. Notably, the September 7 average GDT price for skim milk powder (SMP) was \$1.49 per pound, 11 cents higher than the previous event.

## Recent Dairy Supply and Use Data

U.S. milk production totaled 19.140 billion pounds in July, 2.0 percent higher than July 2020. After an expansion in milk cow numbers that began in July 2020 and peaked at 9.509 million head in May 2021, the average number of milk cows declined to 9.503 million in June and 9.500 million in July. Substantial culling of milk cows contributed to the decline in milk cow numbers. For each week from the middle of June to the end of August, federally inspected dairy cow slaughter was higher than the corresponding week in 2020. Milk per cow in July averaged 2,015 pounds, 14 pounds higher than July 2020.

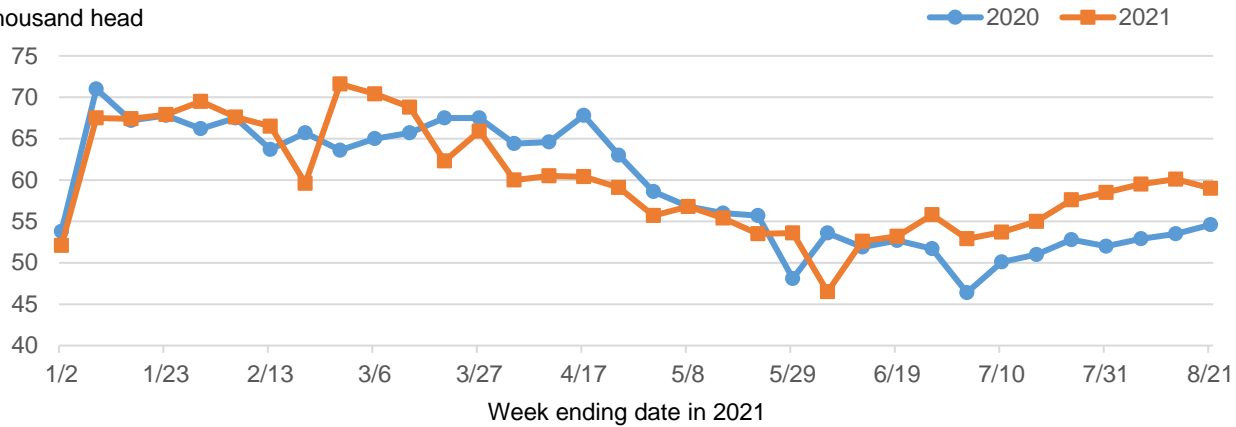
### Number of milk cows in the United States



Source: USDA, National Agricultural Statistics Service.

## Federally inspected dairy cow slaughter

Thousand head



Sources: USDA, Agricultural Marketing Service data as reported by USDA, National Agricultural Statistics Service.

Dairy exports remained relatively strong in July. On a milk-fat milk-equivalent basis, they totaled 1.078 billion pounds, 117 million pounds higher than June and 262 million pounds above July 2020. On a skim-solids milk-equivalent basis, July dairy exports totaled 4.362 million pounds, 152 million lower than June, but 187 million higher than July 2020. Exports of cheese, anhydrous milk fat & butteroil, and whey protein concentrate in July were higher both month over month and year over year. July exports of butter were slightly less than in June but substantially higher than July 2020. Exports of dry skim milk products, dry whey, and lactose in July were down from both June 2021 and July 2020. It is notable that while U.S. exports of dry skim milk products to the world were down in July, exports of these products to China increased. In fact, exports of dry skim milk products to China have been growing and were substantially higher than 2020 in the first 7 months of the year.

### U.S. dairy exports (million pounds)

Product	July 2020	June 2021	July 2021	Change in July 2021 from:	
				July 2020	June 2021
All dairy products, milk-equivalent					
Milk-fat basis	816	961	1,078	262	117
Skim-solids basis	4,175	4,514	4,362	187	-152
Cheese	64.0	73.8	81.1	17.1	7.3
Butter	4.4	8.1	8.0	3.6	-0.1
Anhydrous milk fat & butteroil	1.2	1.0	2.5	1.3	1.5
Dry skim milk products*	166.1	179.5	160.9	-5.2	-18.6
Dry whey	40.9	39.1	37.3	-3.6	-1.8
Whey protein concentrate	27.8	24.3	30.0	2.2	5.7
Lactose	72.3	75.1	70.9	-1.4	-4.2

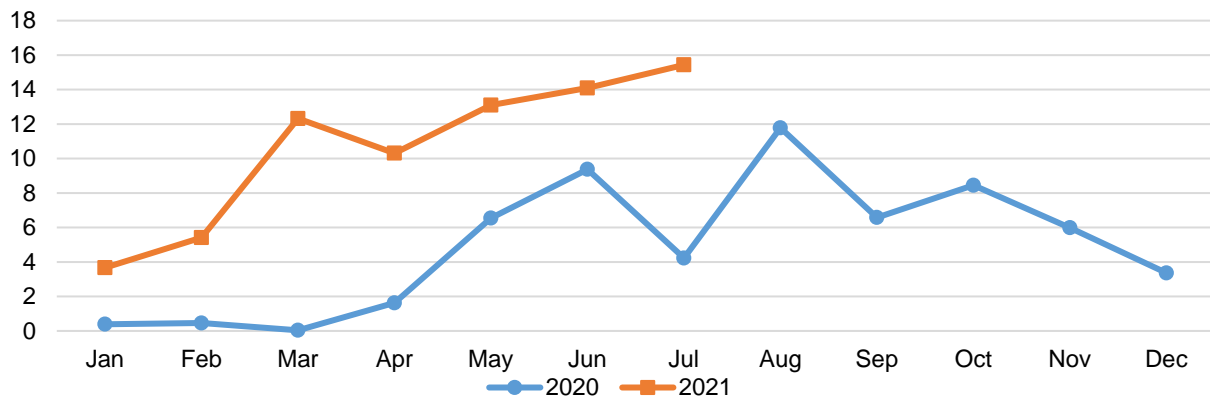
\*Dry skim milk products could include nonfat dry milk, skim milk powder, or dry skim milk for animal use.

Sources: USDA, National Agricultural Statistics Service; USDA, Farm Service Agency; USDA, Foreign Agricultural Service; U.S. Department of Commerce, Bureau of the Census; and USDA, Economic Research Service calculations.

Numerous sources were used for milk-equivalent conversion factors. For more information, see the ERS Dairy Data Documentation webpage.

## U.S. exports of dry skim milk products\* to China

Million pounds



\*Dry skim milk products could include nonfat dry milk, skim milk powder, or dry skim milk for animal use.  
Sources: USDA, Foreign Agricultural Service; U.S. Department of Commerce, Bureau of the Census.

July imports on a milk-fat basis totaled 623 million pounds, 78 million pounds lower than June and 4 million lower than July 2020. On a skim solids basis, July imports totaled 512 million pounds, 33 million below June and 16 million less than July 2020. Cheese imports have remained relatively high, totaling 28.2 million pounds in July, 1.2 million lower than June but 7.4 million higher than July 2020.

For the 3 months from May through July 2021, growth in domestic use on a milk-fat basis has been relatively weak, only 0.9 percent higher than the same 3 months of 2020. On a skim-solids basis, domestic use for May through July 2021 was 0.3 percent lower than the same 3 months of 2020. For these 3 months, domestic use was down 1.2 percent for butter and 37.8 percent for dry skim milk products. Home baking likely contributed to relatively high use of butter in May through July 2020, as people stayed home due to the pandemic. For dry skim milk, relatively high prices likely contributed to weak domestic use in May through July 2021. Comparing the same 3 months for cheese, domestic use was up by a modest 1.1 percent. From May through July 2020, domestic use of cheese was higher than it would have otherwise been due to Government purchases for the Farmers to Families Food Box Program and other programs.

At the time of this writing, July data were not yet available for U.S. sales of fluid milk products. Fluid milk sales in May and June were down 4.3 percent and 6.7 percent, respectively, from May and June of 2020. At-home consumption due to the pandemic likely contributed to higher-than-normal use in May and June of 2020.

Fluid milk sales typically increase as schools reopen in August and September. DMN reported that for the week of August 30 through September 3, industry contacts indicated that demand for fluid milk products increased in the Northeast, Midwest, and West. Due to flexibilities issued by USDA in response to the pandemic, many school systems across the United States are offering free lunches and breakfasts to students regardless of household income. With most schools returning to in-person learning, this could help support fluid milk sales. However, there is considerable uncertainty concerning fluid milk use as COVID-19 variants continue to spread, resulting in quarantine situations for some school districts.

Dairy ending stocks for July decreased from June but remained relatively high. On a milk-fat basis, they totaled 19.891 billion pounds, 145 million lower than June but 855 million higher than July 2020. On a

skim-solids basis, they totaled 11.856 billion pounds, 141 million lower than June but 380 million higher than July 2020.

## Recent Announcements Concerning USDA Programs

On August 19, USDA published a press release concerning the Pandemic Market Volatility Assistance Program. The program will provide:

- Approximately \$350 million in payments to dairy farmers impacted by market volatility and disruptions as a result of the COVID-19 pandemic and ensuing Federal policies.
- Payments by USDA to dairy farmers through their handlers and cooperatives based on fluid milk sales from July through December 2020.
- Education to dairy farmers on Federal dairy programs and policies provided by individual handlers and cooperatives.

For more information, see the USDA Agricultural Marketing Service (AMS) Dairy Program website.

Also on August 19, USDA announced that improvements would be made to the Dairy Margin Coverage program, updating the feed cost formula to better reflect the actual cost dairy farmers pay for high quality alfalfa. This change will be retroactive to January 2020. Unlike the pandemic assistance, this change will also be part of the permanent safety net for dairy farmers. Full details will be provided in coming weeks.

In the 2021 Consolidated Appropriations Act, Congress directed USDA to develop a \$400 million Dairy Donation Program (DDP) to facilitate dairy product donations and reduce food waste. AMS has posted an interim final rule establishing the program. The program became effective September 2, 2021, and it will expire in September 2023, unless extended by notification in the Federal Register. Under the program, eligible dairy organizations that account to a Federal milk marketing order and incur a qualified expense related to certain dairy product donations may apply for and receive reimbursements for those donations. AMS is requesting comments on the interim final rule, due by November 1, 2021. For more information, see the AMS Dairy Program website.

## Outlook for Feed Prices

The 2021/22 corn price projection is \$5.45 per bushel, 30 cents lower than last month's forecast. The 2021/22 price projection for soybean meal is \$360 per short ton, \$15 lower than last month's forecast.<sup>2</sup> For more information, see *Feed Outlook*, published by USDA, Economic Research Service. The alfalfa hay price in July was \$201 per short ton, \$2 higher than June and \$29 higher than July 2020. The 5-State weighted-average price for premium alfalfa hay in July was \$232 per short ton, \$2 higher than June and \$40 higher than July 2020. The milk-feed ratio was 1.55 in July, down from 1.60 in June and 2.72 in July 2020.

## Dairy Forecasts for 2021

Based on recent declines in milk cow numbers and relatively high dairy cow slaughter, the forecast for the average number of milk cows in 2021 has been lowered to 9.485 million head, 15,000 below the

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<sup>2</sup> The marketing year begins September 1 for corn and October 1 for soybean meal.

previous month estimation. Based on the decline in milk per cow from June to July, lower milk per cow is projected for the third quarter of 2021. The projected average yield per cow in 2021 is 24,010 pounds per year, 10 pounds lower than last month's forecast. The milk production forecast for 2021 is 227.8 billion pounds, 0.3 billion less than last month's forecast.

Due to anticipated hearty demand from the international market, higher export volumes of dairy products are projected throughout the rest of 2021. The forecast for 2021 dairy exports on a milk-fat basis is 11.4 billion pounds, 0.4 billion higher than the previous month's projection. On a skim-solids basis, 2021 exports are forecast at 51.7 billion pounds, 0.2 billion higher than last month's projection. Higher exports are expected for skim milk powder, whey products, cheese, and butterfat products.<sup>3</sup> Annual dairy import projections for 2021 are unchanged from the previous month's projections, at 6.6 billion pounds on a milk-fat basis and 5.8 billion pounds on a skim-solids basis.

Due to recent weakness in domestic use and higher expected wholesale prices for most dairy products, the domestic commercial use forecasts for 2021 are lower than projected last month. On a milk-fat basis, the annual forecast for 2021 domestic commercial use is 221.9 billion pounds, 0.3 billion lower than last month's forecast. The domestic use forecast on a skim-solids basis for 2021 is 180.7 billion pounds, 0.4 billion lower than last month's forecast.

The forecasts for ending stocks in 2021 have been lowered from last month's forecast, as lower expected milk production and higher exports more than offset lower expected domestic use. The forecasts for 2021 ending stocks are 15.6 billion pounds on a milk-fat basis (-0.4 billion) and 11.0 billion pounds on a skim-solids basis (-0.2 billion).

Based on recent price data, lower stock levels, lower expected milk production, and higher expected exports, wholesale price forecasts for most dairy products have been adjusted higher for 2021. Price forecasts for cheese, butter, and NDM are \$1.640 (+0.5 cents), \$1.690 (+4.5 cents), \$1.225 (+2.0 cents) per pound, respectively. The 2021 wholesale price forecast for dry whey remains unchanged from the last forecast at \$0.555 per pound.

With a higher projected wholesale price for cheese, the Class III milk price forecast for 2021 is \$16.65 per hundredweight (cwt), \$0.10 higher than the previous month's forecast. Due to higher butter and NDM price forecasts, the Class IV milk price projection is \$15.55 per cwt, \$0.40 higher than last month's forecast. The all-milk price forecast for 2021 is \$18.15 per cwt, an increase of \$0.20 from last month's projection.

## Dairy Forecasts for 2022

The average number of milk cows is expected to continue declining in the first half of 2022. As a result, the annual forecast has been lowered to 9,480 million head, 20,000 head lower than last month's forecast. The forecast for milk per cow is 24,330 pounds, 5 pounds lower than last month's forecast. The projection for 2022 milk production has been adjusted to 230.6 billion pounds, 0.6 billion pounds lower than last month's forecast but 2.8 billion pounds higher than 2021.

The export forecast for 2022 on a milk-fat basis is 10.9 billion pounds, 0.3 billion higher than last month's forecast. On a skim-solids basis, 2022 dairy exports are projected to total 51.8 billion pounds, 0.5 billion up from last month's forecast. Higher exports are expected for dry skim milk products, whey products, cheese, and butterfat products.

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<sup>3</sup> Butterfat products include butter, anhydrous milk fat, butteroil, and dairy spreads with high milk-fat content.

Dairy imports for 2022 on a milk-fat basis are projected to total 6.7 billion pounds, 0.1 million pounds higher than last month's forecast, due to higher expected imports of cheese and butter. On a skim-solids basis, the 2022 import forecast is 5.5 billion pounds, unchanged from last month's forecast.

In 2022, domestic use is projected to be lower than the previous month's forecast, as wholesale prices are projected higher, reflecting in part tighter supplies. On a milk-fat basis, the domestic use forecast for 2022 is 225.5 billion pounds, 1.1 billion lower than the previous forecast. On a skim-solids basis, the forecast for domestic use is 182.9 billion pounds, 1.3 billion lower than last month's forecast.

With lower projected milk production and higher expected exports more than offsetting lower expected domestic use, ending stock forecasts for 2022 have been lowered. On a milk-fat basis, the forecast for ending stocks has been decreased to 15.4 billion pounds (-0.1 billion). On a skim-solids basis, the forecast for ending stocks has been lowered to 11.3 billion pounds (-0.1 billion).

Except for dry whey, dairy product price forecasts for 2022 have been adjusted higher due to lower anticipated beginning stock levels, expectations of relatively strong international demand, and lower expected milk production. Wholesale price forecasts for Cheddar cheese, butter, and NDM are raised from last month's projections to \$1.655 (+2.5 cents), \$1.730 (+7.0 cents), \$1.270 (+6.0 cents), respectively, while the dry whey price forecast remains unchanged from last month's projection at \$0.500 cents per pound.

With higher estimated wholesale prices for cheese, the Class III milk price forecast for 2022 is \$16.45 per cwt, \$0.30 higher than the previous month's forecast. Due to higher butter and NDM price forecasts, the Class IV milk price projection for 2022 is \$16.05 per cwt, \$0.75 higher than last month's forecast. The all-milk price forecast for 2022 is \$18.40 per cwt, an increase of \$0.55 from last month's projection.

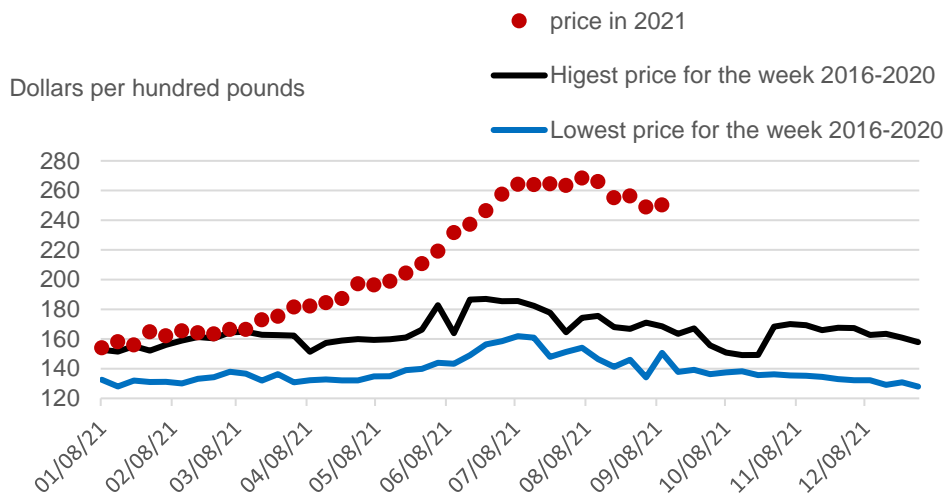
# Lamb/Sheep

William F. Hahn

## January-August 2021 Lamb Prices Highest in Years

The lamb prices reported in these Outlook Reports are based on USDA Agricultural Marketing Service (AMS) data reported weekly for Choice and Prime slaughter lambs. The number of lambs sold is small compared to sales of hogs and cattle, and it is common for too few to be sold for AMS to report a price. In 2020, there were no weekly prices for these types of lambs for 29 weeks in a row, running from early April to late October. (Note that the lamb prices for Quarters 2 and 3 of 2020 are listed as “N/A” meaning “not available” in the red meat and poultry forecast table at the end of this issue.) There have been no missing reports between late October 2020 and the writing of this report.

**Lamb Figure 1**  
**Choice and Prime slaughter lambs, negotiated purchases average price**



Source: USDA, Agricultural Marketing Service.

The figure above shows the weekly average lamb prices between the beginning of January and the end of August 2021, along with the highest and lowest reported prices for that week in the years 2016-2020. In those years the highest reported lamb price was just under 187 dollars per hundred weight, and the lowest just under 128. Both of these extremes were in 2017; the high in mid-June and the low at the end of December. In 2021, the lamb price exceeded the highest price for the previous 5 years in late April and has stayed higher than that since. Lamb prices peaked at over 268 dollars per hundred weight in early August.

First-quarter domestic lamb and mutton production was about the same in both 2020 and 2021, approximately 35 million pounds. Lamb imports for 2021's first quarter were 69 million pounds, 33 percent lower than first-quarter 2020 lamb imports of 102 million pounds. Less lamb available to the domestic market would tend to support higher prices. Since the end of the first quarter, domestic commercial production has been similar to last year's, while imports have been larger. The fact that

lamb prices are higher even though the total amount of lamb and mutton has increased suggests that U.S. domestic lamb demand has increased relative to last year.

## Changes in Lamb and Sheep Forecasts

The domestic commercial production forecasts in this September 2021 report are unchanged from last month's report. The table below shows the August 2021 and current forecasts for lamb prices and imports.

### Revisions to lamb price and import forecasts

	2021			2022		
	Quarter 3	Quarter 4	Annual	Quarter 1	Quarter 2	Annual
Lamb price forecast	dollars per hundred weight					
August report	220.00	195.00	198.05	185.00	185.00	182.50
September Report	260.00	230.00	216.80	215.00	210.00	208.00
percent change	18.2	17.9	9.5	16.2	13.5	14.4
Lamb and mutton import forecast	Millions of pounds					
August report	71	69	301	80	74	293
September Report	84	75	320	85	79	313
percent change	18.3	8.7	6.4	6.3	6.8	6.8

Source: USDA, Economic Research Service Livestock, Dairy, and Poultry Outlook Reports, this issue and the August 2021 issue.

Given the high prices for lambs seen in August, the forecast for third-quarter 2021 was increased from 220 to 260 dollars per hundred weight. Lamb price forecasts are higher for the outlying quarters as well. Lamb and mutton import forecasts for third-quarter 2021 are 18.3 percent higher, 84 versus 71 million tons.



# Pork/Hogs

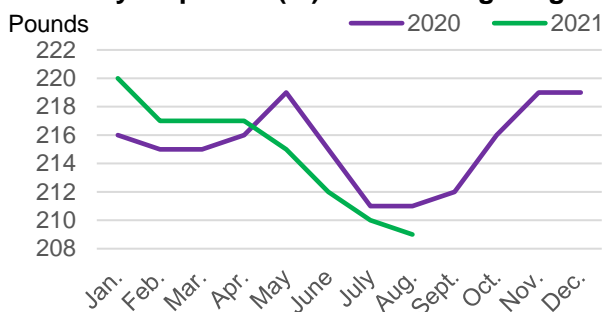
Mildred Haley

## Third- and Fourth-Quarter Pork Production Reduced on Lower Hog Slaughter Numbers

Third-quarter pork production is expected to be about 1 percent lower than the volume forecast last month, due in part to lower-than-expected August slaughter numbers, combined with dressed weights that continue to run below a year ago. Estimated federally inspected (FI) hog slaughter in August was about 10.5 million head, almost 9 percent below a year ago after accounting for the additional slaughter day this year. July-August carcass weights averaged about 209.5 pounds, more than 1 pound below a year ago.

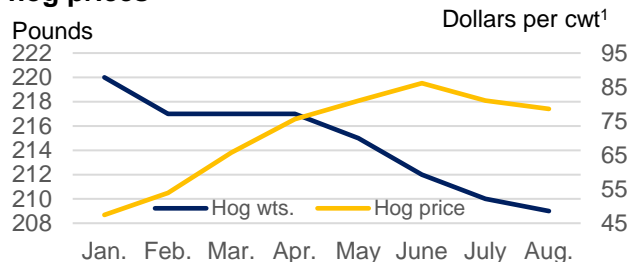
While last summer's COVID-related market turbulence likely distorts year-over-year dressed weight comparisons, looking at 2021 carcass weights in the context of this year's hog prices, as in the figure below, suggests that at a minimum producers are keeping hog marketings current. Producers may have responded to processors' higher weight discounts, and/or may have at times pulled animals forward in order to take advantage of favorable prices.

**Federally inspected (FI) dressed hog weights**



Source: USDA, National Agricultural Statistical Service.

**FI hog weights and 51-52 percent lean hog prices**



<sup>1</sup>Hundredweight

Source: USDA, Agricultural Marketing Service.

Third-quarter pork production is expected to be almost 6.5 billion pounds, more than 7 percent below the same period last year. The third-quarter price forecast for 51-52 percent lean hogs—\$78 per cwt, almost 93 percent above a year ago—is unchanged from last month. The forecast for pork production in the fourth quarter is reduced slightly to 7.3 billion pounds, 3.5 percent below a year earlier. Fourth-quarter hog prices are expected to average \$65 per cwt, \$1 higher than last month's forecast and 28 percent higher than fourth-quarter prices last year.

USDA will issue the *Quarterly Hogs and Pigs* report on September 24. The report will provide information on September 1 hog and pig inventories, June-August farrowing numbers, and updated producer farrowing intentions for September-November, and a first set of intentions for the winter 2022 (December-February) pig crop.

## Constrained Pork Processing Labor Supply Reflected in Pork-Cuts Spreads

Labor has been in short supply in the U.S. pork processing industry for several years. The shortage became more apparent when the industry expanded its daily capacity by 10 percent with new facilities between 2017 and 2019<sup>4</sup>, thereby increasing the industry's demand for labor. Persistent labor shortages became acute during the early months of the COVID-19 pandemic. Beginning in April 2020 through early August 2020, workforce absences due to virus infections forced most U.S. processing plants to slow operations, and some to temporarily shut down. During this period when plant disruptions were causing hogs to back up on farms and many plants to operate with reduced workforces, plant managers frequently shifted workers from further-processing operations (i.e., cutting carcasses into smaller cuts and removing bones) to early-stage processing (i.e., cutting carcasses into large bone-in cuts). The effects of such labor reallocations show up in wider price spreads between boneless pork cuts and bone-in pork cuts.

The figure below is an illustration of how fluctuations in U.S. pork processing workforce numbers are often reflected in price relationships between labor-intensive pork cuts and less labor-intensive cuts. The figure shows the price difference between weekly prices of a weighted average basket of boneless pork cuts<sup>5</sup> and the price of bone-in hams weighing between 23-27 pounds. Between late April and late May 2020, sharply reduced processing plant workforces caused labor shifts away from further processing work, increasing the price spread between boneless and bone-in pork cuts by almost 123 percent. In early 2021, the price spread declines as vaccine roll-outs begin, COVID-related absences decline further, and hog slaughter numbers decline seasonally, all of which allowed labor to resume more normal allocations—more workers could be allocated to further processing/boning work, increasing supplies of boned-cuts and reducing their prices. This “working back towards normal” process is reflected in the declining price spread of almost 46 percent between late December 2020 and late April 2021. It is notable however, that the spread in the spring of 2021 does not appear to return to pre-COVID levels. This is likely due to lower available hog numbers and continued COVID-related impacts on the labor availability of employees. The spread data also show a spike beginning in mid-July of this year, likely attributable in part to workforce absences related to the delta variant of the COVID virus. Between mid-July and the end of August, the spread between boneless and bone-in pork cuts increased by more than 67 percent.

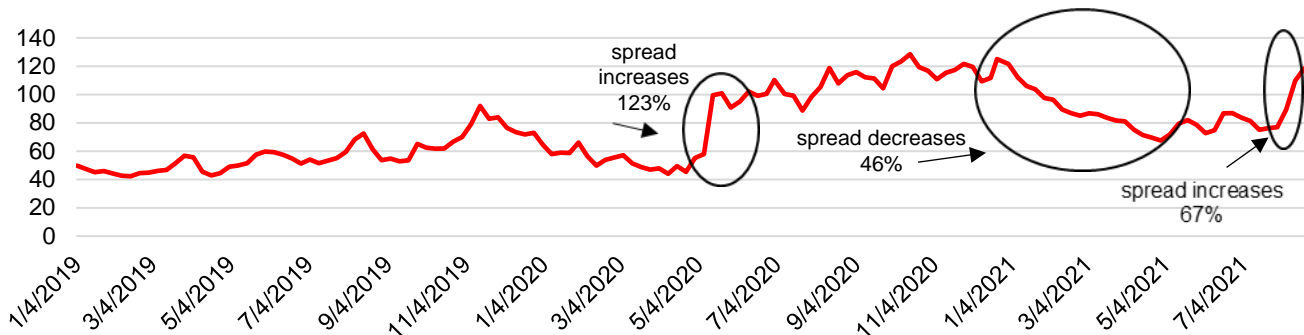
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<sup>4</sup> “Packer Capacity Help Is On The Way”. Steve Meyer, National Hog Farmer, July 20, 2016.

<sup>5</sup> Weighted average basket of boneless pork cuts= insides + outsides + knuckles + lite butts, from Lee Schulz, Iowa State University. “Livestock Situation and Outlook: Hogs.” 2021 Midwest & Great Plains/Western Summer Outlook Conference, Fargo, North Dakota, August 2021.

**Weekly price spread: Weighted average basket of boneless pork cuts<sup>1</sup> - 23-27 pound trimmed selected bone-in ham**

Dollars per cwt<sup>2</sup>



<sup>1</sup>Weighted average basket of boneless pork cuts= insides + outsides + knuckles + lite butts.

<sup>2</sup>Hundredweight.

Source: USDA, Economic Research Service calculations with USDA, Agricultural Marketing Service price series.

## Lower July Exports Attributable to China\Hong Kong

Pork exports in July were 508 million pounds, 8.5 percent lower than those of a year ago. Higher exports to most major markets were unable to offset significantly lower shipments to China\Hong Kong. Canada was the only other major market to which shipments were lower in July. Higher Canadian pork production and lower exports are likely reducing demand for imported pork. Canadian pork production was up almost about 1 percent according to Agriculture Canada, through the first week of September. Exports were 1.8 percent below a year ago through the end of July, and down 46 percent to China. Canadian imports from all sources were down more than 6 percent year over year, through the first week of September.

The table below summarizes exports to the 10 largest foreign destinations for U.S. pork in July.

U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations in July 2020 and 2021					
Country	Exports July 2020 (Million pounds)	Exports July 2021 (Million pounds)	Percent change (2021/2020)	Export share July 2020 Percent	Export share July 2021 Percent
World	555	508	-8.5		
Mexico	129	155	20	23	30
Japan	91	98	8	16	19
China\Hong Kong	160	61	-62	29	12
Canada	51	47	-7	9	9
South Korea	31	40	28	6	8
Colombia	12	20	71	2	4
Philippines	12	15	25	2	3
Australia	12	12	7	2	2
Dominican Republic	9	12	39	2	2
Honduras	8	10	23	1	2

Source: USDA, Economic Research Service.

## Forecasts for Second-half 2021 Trimmed on Expectations for Lower China Demand

Second-half pork exports are reduced to reflect expectations of continued lower shipments to China\Hong Kong. The forecast for third-quarter pork exports is reduced by 50 million pounds to 1.575 billion pounds, 3.2 percent below a year earlier. Fourth-quarter exports are likely to be about 1.925 billion pounds, 25 million pounds below last month's forecast, but 3.6 percent greater than fourth-quarter 2020. Total exports for 2021 are expected to be 7.334 billion pounds, almost 1 percent greater than exports in 2020. The export forecast for 2022—7.3 billion pounds—is unchanged from last month, and is about 0.5 percent lower than the forecast export volume for 2021.

# Poultry

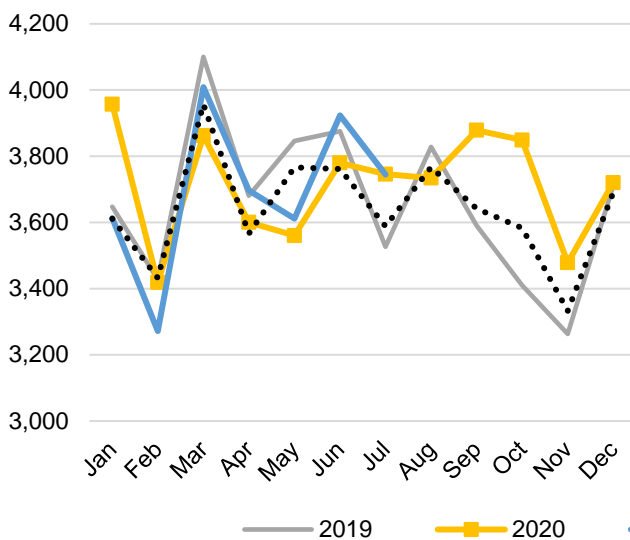
Grace Grossen and Adriana Valcu-Lisman

## Broiler Production Adjusted Up in 2021 and 2022

Broiler production in July was nearly even with 2020 levels at 3.744 billion pounds, as well as stronger than the previous year due to heavier bird weights. Average broiler live weights in July were 2 percent heavier than the same month last year. July slaughter was also higher than the same month in 2020 on a per day basis. Based on strong preliminary data for August, the third-quarter production estimate was adjusted up by 50 million pounds to 11.45 billion pounds. Weekly broiler chick placements have been below 2019 levels since the first week of August; and as a result, forecast production in the fourth quarter was adjusted down by 20 million pounds to 11.2 billion pounds. In total, 2021 production is forecast to be fractionally higher than that of 2020. Based on expectations for stronger broiler prices and lower feed costs next year, the 2022 production forecast was adjusted up to 45.34 billion pounds, representing 1-percent growth over the 2021 production forecast.

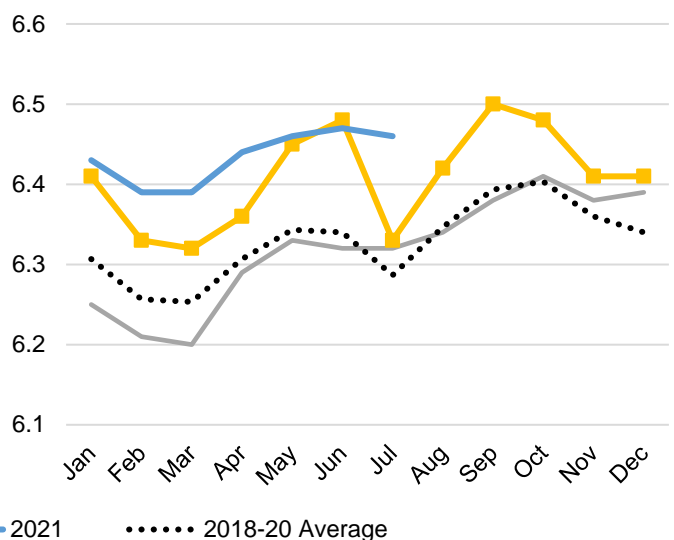
**Monthly broiler production**

Million pounds



**Monthly average broiler live weights**

Pounds

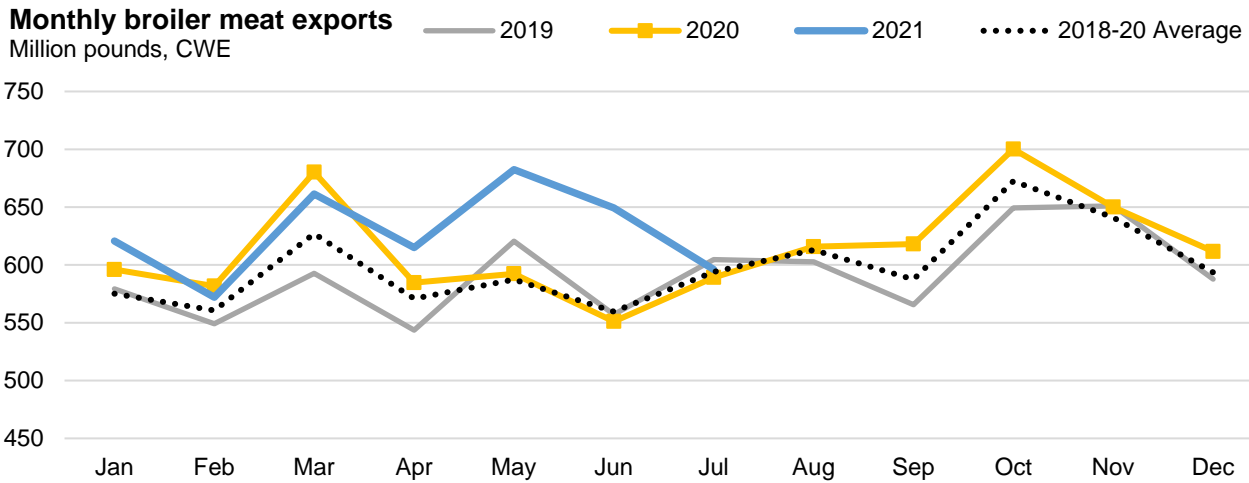


Source: USDA, National Agricultural Statistics Service.

## Broiler Export Forecasts Adjusted Down

Broiler exports totaled 596 million pounds in July. This is a 1-percent year-over-year increase from July 2020 and closer to historical export levels after a very strong second quarter. Shipments to Mexico in July were stronger than last July but fell from 199 million pounds in June to 133 million pounds. Compared to average levels during the second quarter, July shipments also decreased to the Philippines, Cuba, Taiwan, and Turkey. The third-quarter broiler export forecast is unchanged at 1.815 billion pounds. The fourth quarter was adjusted down to 1.85 billion pounds, in part due to lowered

expectations for production and stocks at the beginning of the quarter. Total exports in 2021 are forecast to grow by about 1 percent from 2020. The 2022 total export forecast was adjusted down by 40 million pounds to 7.41 billion pounds, a 1-percent decrease from the 2021 forecast.



Note: CWE = Carcass Weight Equivalent  
 Source: USDA, Economic Research Service, Livestock and Meat International Trade Data.

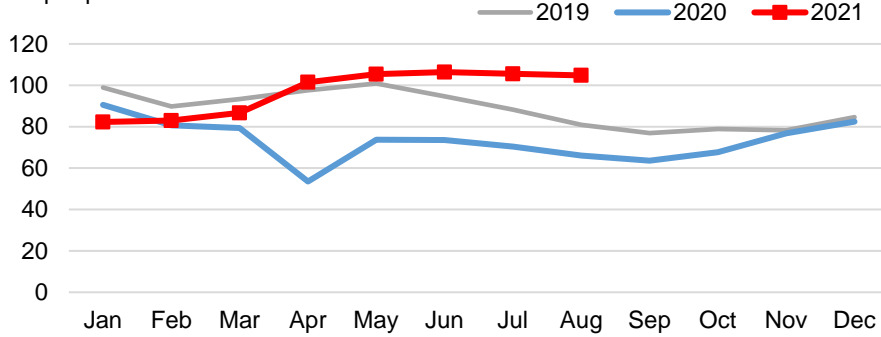
## Broiler Prices Adjusted Up

The August national composite whole broiler price remained elevated at 104.8 cents per pound, 39 cents above August of 2020. The weekly price was 105.23 cents per pound in the week ending September 3rd. Parts prices also remained high in August, with chicken wing prices averaging 317.39 cents per pound in August. This is not a high for 2021, but more than a dollar over the same month last year. Boneless/skinless breast prices increased slightly from July to 188.22 cents per pound in August. This is also not a 2021 high, but still 73 cents above the same month last year. Wholesale leg quarter prices were 17 cents above August 2020, but less than 2 cents different from the August 2019 average price.

Based on recent price data and strong demand expectations, forecast whole broiler prices were increased by 7 cents to 106 cents per pound in the third quarter and by 6 cents to 95 cents per pound in the fourth quarter. The 2022 annual forecast price was adjusted up to 96 cents per pound.

**Monthly national composite whole broiler price**

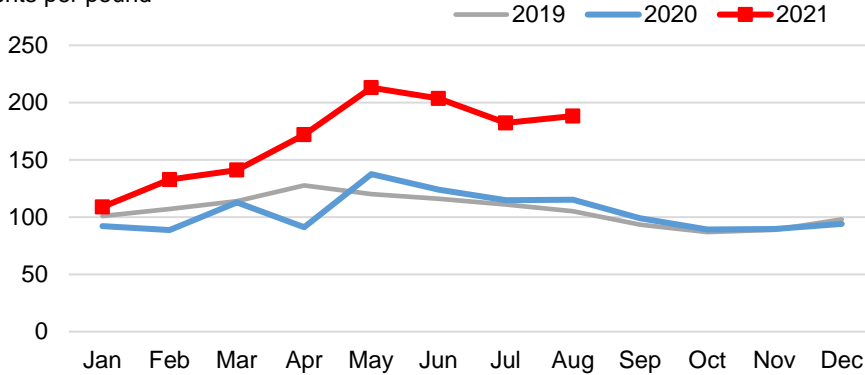
Cents per pound



Source: USDA, Agricultural Marketing Service.

**Monthly wholesale boneless/skinless chicken breast prices**

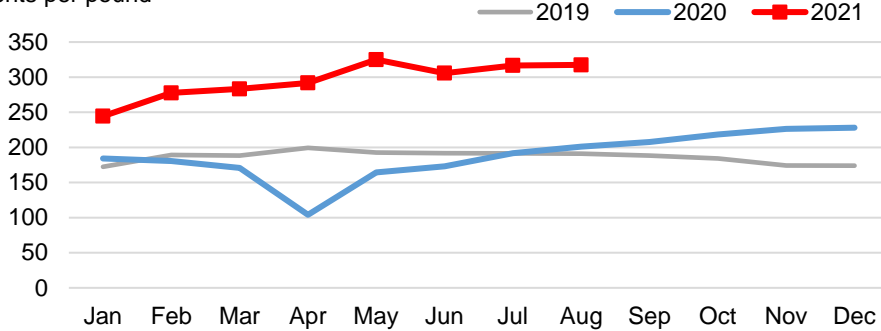
Cents per pound



Source: USDA, Agricultural Marketing Service.

**Monthly wholesale chicken wing prices**

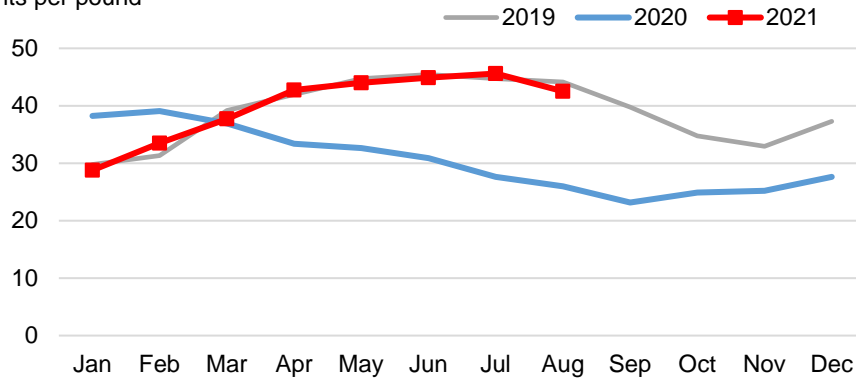
Cents per pound



Source: USDA, Agricultural Marketing Service.

### Monthly wholesale chicken leg quarter prices

Cents per pound



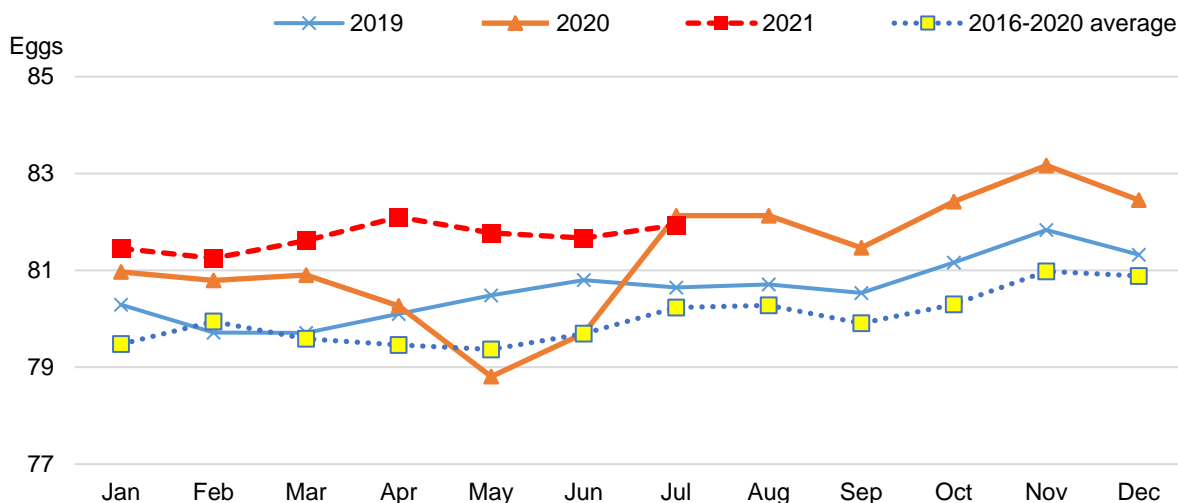
Source: USDA, Agricultural Marketing Service.

## 2021 Table Egg Production Revised Up; 2022 Revised Down

Table egg production totaled 675.3 million dozen in July, a 0.5 percent year-over-year increase. This increase was due to a 0.7 percent increase in the size of the layer flock that more than compensated for a 0.2 percent year over year decrease in the lay rate.

The year-to-date productivity of the layer flock averaged 81.7 eggs per 100 layers per day, about 1.5 percent higher than the same period last year and above the 5-year average (see chart). For the remainder of the year, it is anticipated that the layer flock will continue to increase and productivity level will remain close to historical levels. Based on these expectations, the forecast for the third-quarter table egg production was revised up to 2,020 million dozen eggs, while the fourth-quarter forecast was unchanged. This brings 2021 total expected production to 8,073 million dozen, a fractional year-over-year increase.

### Rate of lay, table eggs per 100 layers per day

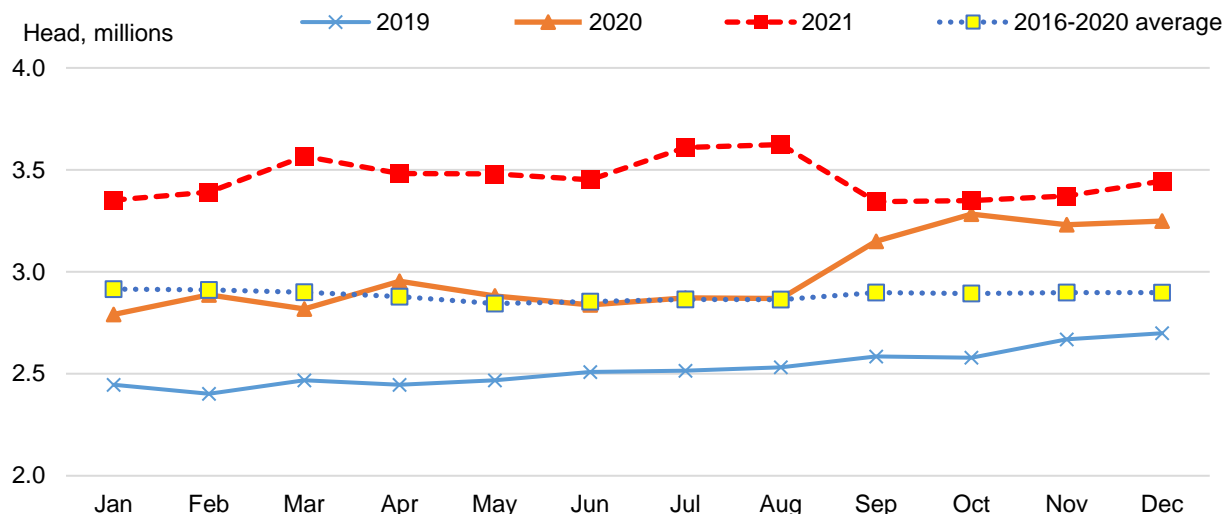


Source: USDA, National Agricultural Statistics Service.



To date, indicators for future production potential—such as the monthly cumulative potential placements for egg-type pullets hatched—indicate the producers’ intentions to add fewer layers to the flock in 2022. The cumulative potential placement for any given month is determined as the sum of the egg-type pullets hatched in the period 7 to 18 month preceding it (see chart). The 2022 forecast for total table egg production was revised down to 8,175 million dozen based on current hatchery supply data.

### Hatchery supply flocks, Egg-type Pullets: Cumulative potential placements 7-18 months earlier<sup>1</sup>



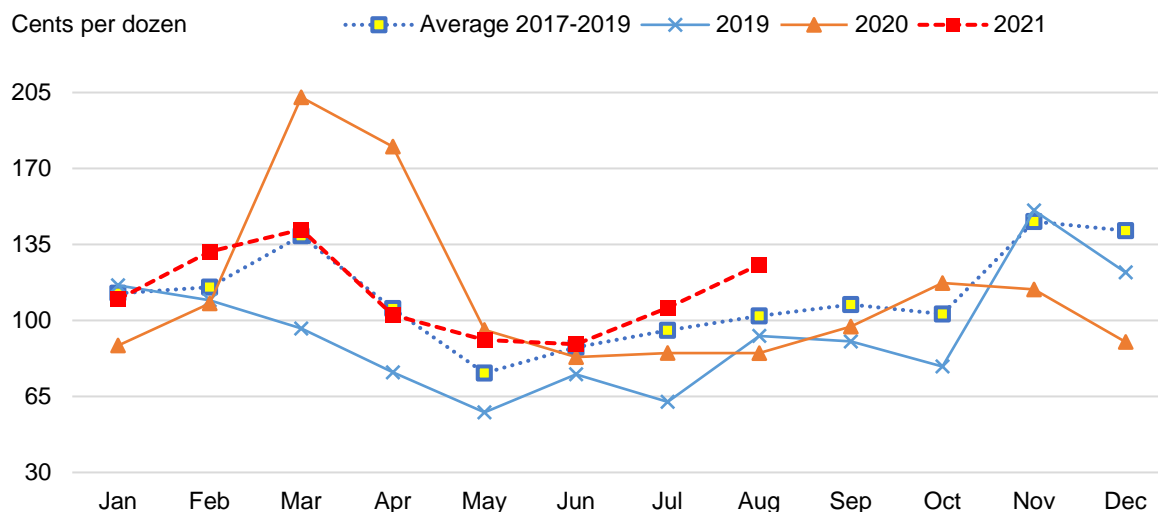
Source: : USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service.

<sup>1</sup>For July 2021, includes breeder pullet chicks hatched January 2020 through December 2020. The 7-18 months represent the first laying cycle. Molting and additional laying cycles will increase the cumulative potential placements.

## Wholesale Table Egg Prices Forecast Revised Up

August wholesale table egg prices (New York, Grade A Large) have been stronger than expected, reaching an average of 125.7 cents per dozen, 48 percent higher than last year. While prices earlier this year were in the range of the 2017-2019 average prices, recent average prices have been at much higher levels (see chart).

## Monthly average midpoint prices for New York eggs (wholesale, Grade A Large)



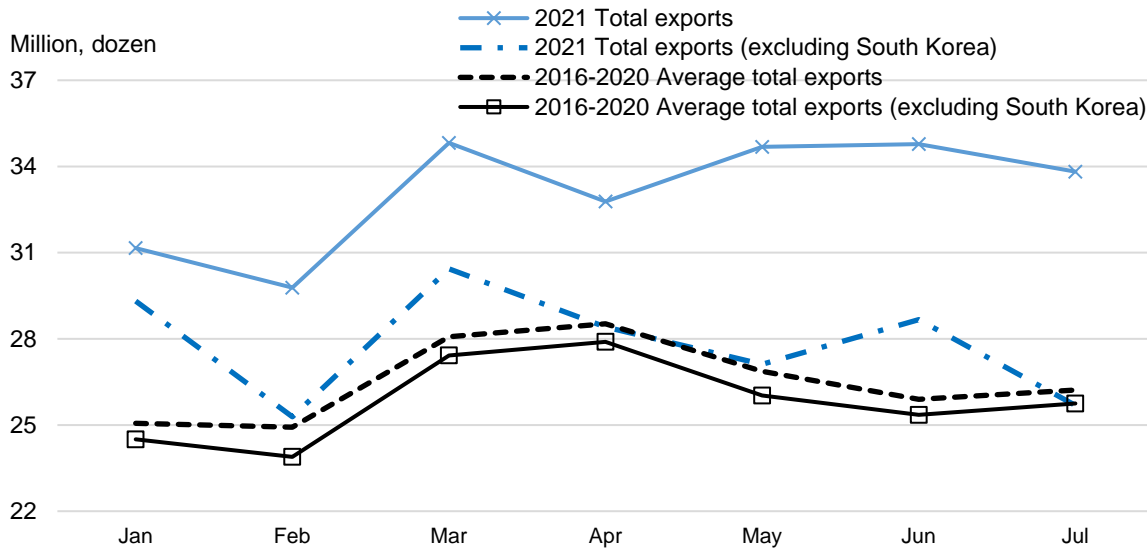
Source: USDA, Economic Research Service using data from USDA, Agricultural Marketing Service.

The third-quarter price forecast was increased to 119 cents per dozen and the fourth-quarter forecast was raised to 130 cents per dozen due to higher-than-expected strength in prices. The 2021 table egg prices are forecast to average 117.8 cents per dozen, 4.9 percent higher than last year. Reflecting the changes in the 2022 forecast for table eggs, the 2022 forecast prices for the first two quarters were revised up. This brings the average 2022 expected price to 117.0 cents per dozen, fractionally lower than in 2021.

## South Korea Supports Stronger Exports

July shell eggs and shell egg-equivalent-product exports equaled 33.8 million dozen (21.9 million shell eggs and 11.9 million shell-egg-equivalent egg products), a 14 percent year-over-year increase. The increase was due to larger shipments to South Korea (+7,171 thousand dozen), Hong Kong (+1,081 thousand dozen), Japan (+768 thousand dozen), and Canada (+379 thousand dozen). These increases more than compensated the decreases in shipments to some traditional markets such as Mexico, United Arab Emirates, and Denmark. Exports to South Korea accounted for much of the year-to-date strength in shipments as Highly Pathogenic Avian Influenza (HPAI) impacted the South Korean avian industry earlier this year (see chart). This strength is expected to continue in the near term. Third- and fourth-quarter export forecasts were each revised up to 100 million dozen. This brings total expected exports to 398 million dozen, a 15.7 percent year over year increase. The first-quarter 2022 forecast was also revised up to 95 million dozen.

**Monthly U.S. eggs and egg products export volumes (shell egg equivalent):  
South Korea's contribution to total exports**



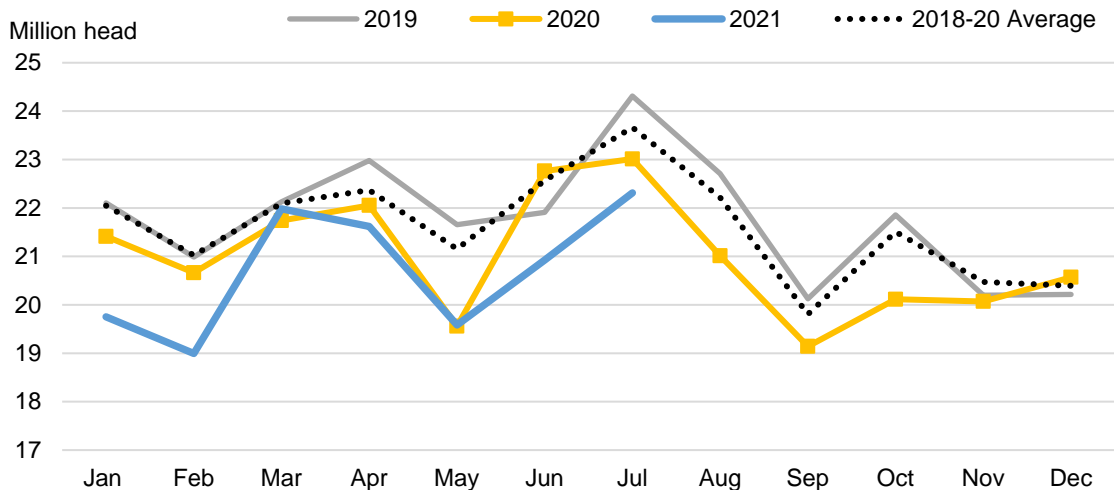
Source: USDA, Economic Research Service using data from the U.S. Department of Commerce, Bureau of the Census.

**Turkey Production Adjusted Down in 2021**

Turkey production in July totaled 457.9 million pounds, a decline from last year both on an absolute and per day basis. July production decreased year over year by 9.3 percent. While July turkey placements increased over June, they are still 3 percent below July 2020 and 7 percent below 3-year average placement levels for July. Stocks of turkey in cold storage at the end of July increased over June but were still 17 percent below last July.

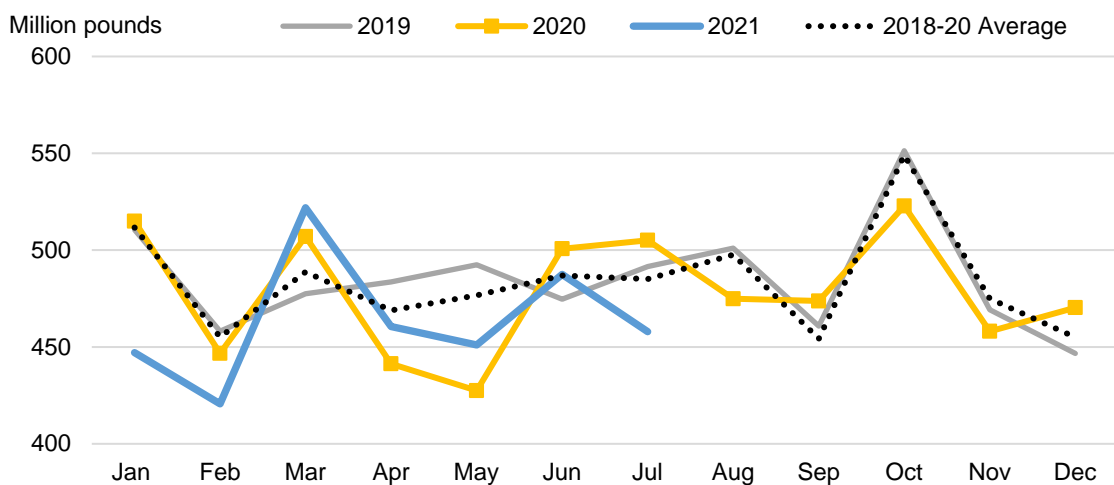
While turkey prices are forecast to increase, production forecasts for the second half of the year were decreased on weak July production and recent placement data. The third quarter was adjusted down by 10 million pounds to 1.410 billion pounds, and the fourth quarter was decreased by 20 million pounds to 1.430 billion pounds. The 2021 total forecast is 5.629 billion pounds, a 2-percent decrease from 2020. Based on expectations for higher turkey prices and lower feed costs next year, the 2022 turkey production forecast was adjusted up to 5.715 billion pounds, a 2-percent increase over the 2021 forecast.

### Monthly turkey placements



Source: USDA, National Agricultural Statistics Service.

### Monthly turkey production



Source: USDA, National Agricultural Statistics Service.

## Turkey Exports Revised Down in Fourth-Quarter 2021

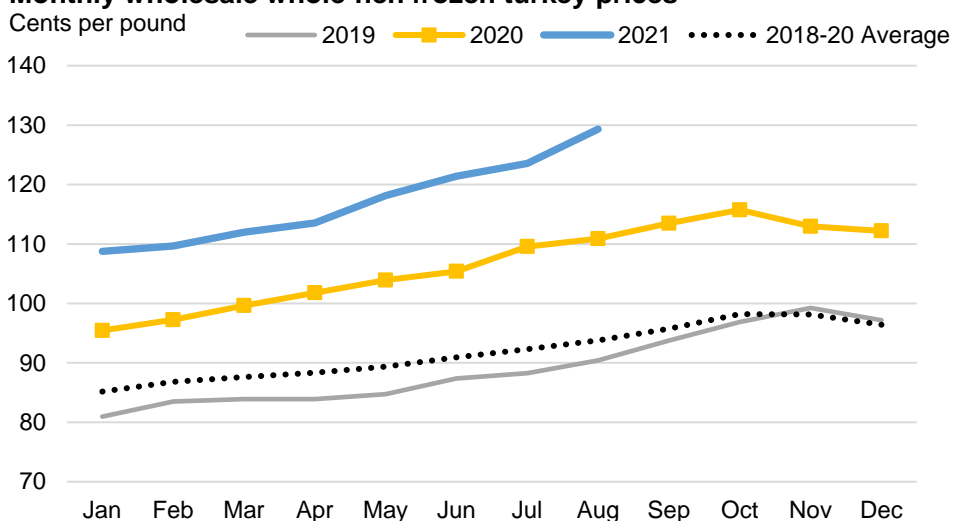
Turkey exports in July totaled 46.5 million pounds, a slight decrease from both June and last July. Based on lowered supply expectations, the export forecast was adjusted down by 5 million pounds in the fourth quarter. The 2021 forecast now totals 568 million pounds, a slight decrease from the 2020 total.

## Turkey Prices Adjusted Up in 2021

The August wholesale price for frozen whole turkey hens was 129.33 cents per pound, though weekly prices were only published for the first week of August. Whole tom turkey prices, usually at or below whole-hen prices, reached 128 cents per pound in the week ending September 3rd and averaged 126.33 cents per pound in August. Tom turkeys are typically destined for further processing into turkey parts, where prices have also been elevated in recent months. Wholesale prices for turkey breasts averaged 161.98 cents per pound in August, 41 cents above the same month last year. At 114.37 cents per pound in August, turkey drumsticks have fallen only slightly from their June peak. This is 51 cents above the same month last year.

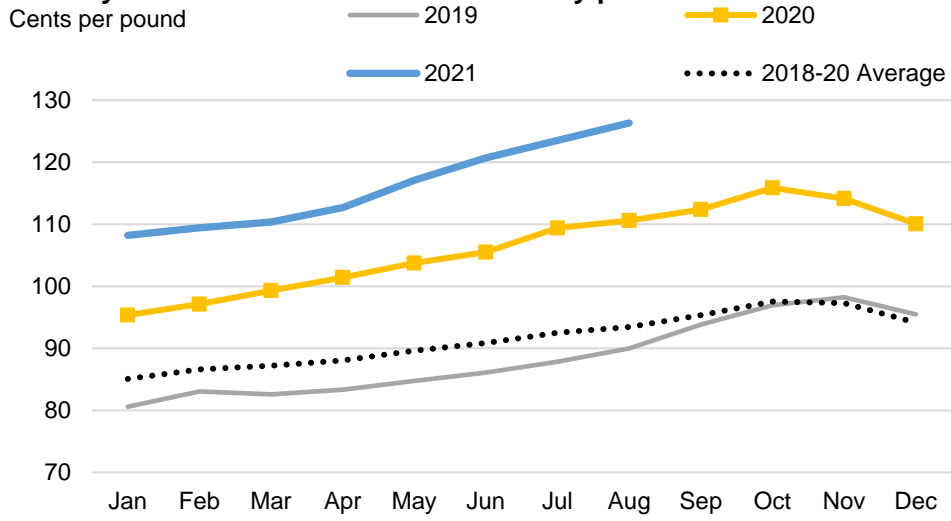
Based on lowered production expectations and recent price trends, the forecast prices for the third and fourth quarters were adjusted up to 129 and 128 cents per pound, respectively. The 2022 price forecasts were adjusted up by 1 cent each quarter for an annual average of 119 cents per pound.

### Monthly wholesale whole-hen frozen turkey prices



Source: USDA, Agricultural Marketing Service.

### Monthly wholesale whole-tom frozen turkey prices



Source: USDA, Agricultural Marketing Service.

# Special Article

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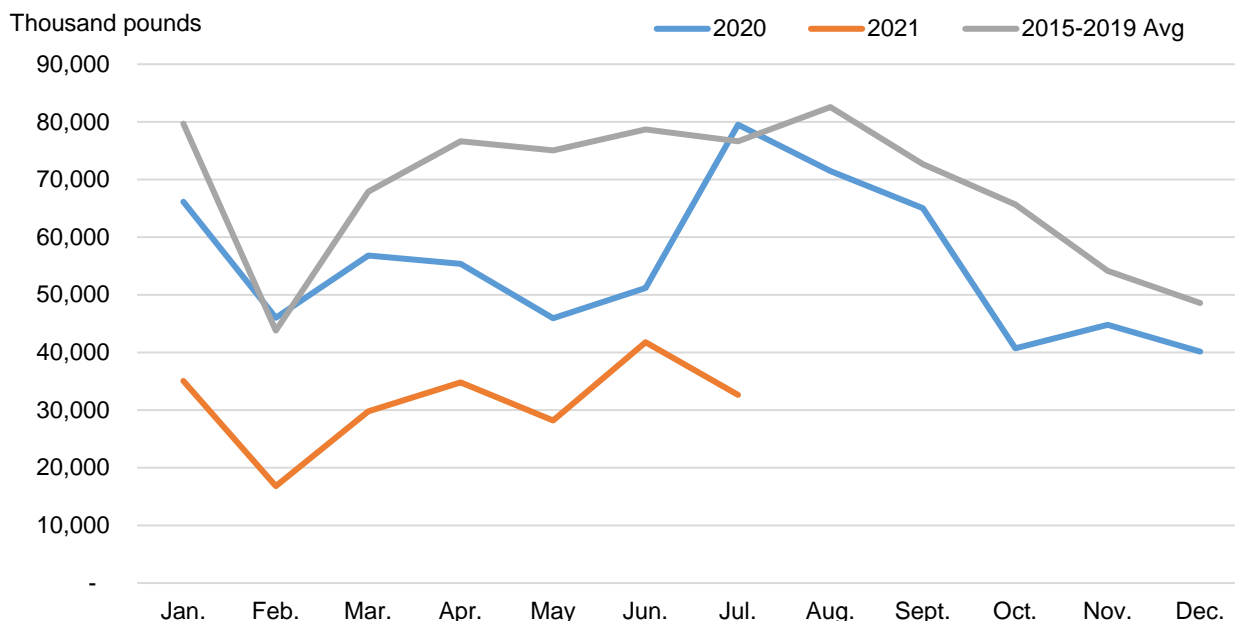
Christopher G. Davis

## U.S. Beef Imports Down Most of the Year on Multi-Month Reduction in Shipments from Australia

The United States is the second largest beef importer in the world. In 2020, despite the challenges with COVID-19, the United States imported the second-largest volume of beef in the last 15 years. Fourth-quarter 2020 beef imports were down 2.7 percent from 2019, while 2021 first-quarter beef imports were 10.1 percent lower than the previous year. The lowest monthly volume (198.5 million pounds) of beef imported by the United States in 5 years occurred in February 2021. Over the last 7 years, the United States has imported less than 200 million pounds of beef in only 2 other months (November and December 2015).

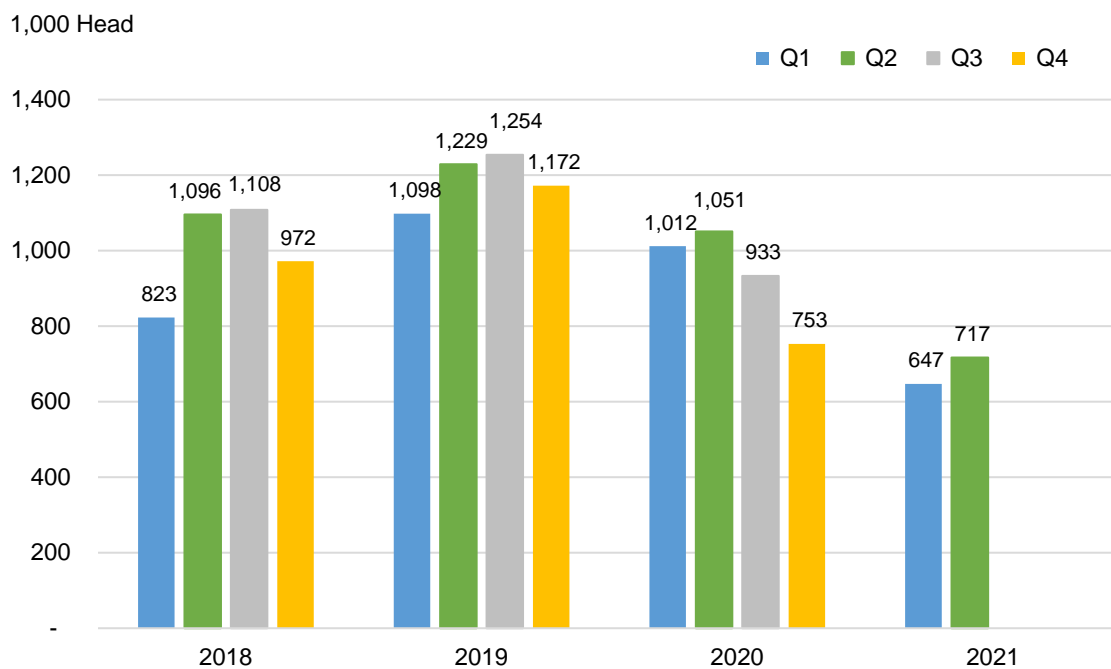
Australia is traditionally a major beef supplier to the United States (figure 1). However, for 10 consecutive months from October 2020 to July 2021, U.S. beef imports from Australia have been down year over year. In 2020, Australia accounted for 20.1 percent of the total U.S. beef imports from January to July 2020, but from January to July 2021, Australia represented only 11.7 percent of U.S. beef imports. There are indications that Australia is showing signs of herd rebuilding. A key sign is the retention of female cattle (cows and heifers) for breeding. During the 2020 fourth quarter, Australia slaughtered only 753,000 head of cows and heifers, 419,000 head or 36 percent less than in 2019 fourth quarter (figure 2). Similarly, in 2021 second quarter, Australia slaughtered 32 percent (or 334,000 head) fewer cows and heifers than a year ago. Although Australia's steer and bull slaughter were down as well in 2020 fourth quarter (15 percent) and 2021 first quarter (16 percent) year over year, the emphasis was on cows and heifers. According to the Foreign Agricultural Service -*Global Agricultural Information Network Livestock and Products Semi-Annual Report* released March 8, 2021, favorable rainfalls in 2020 and anticipated precipitation in beef-producing regions in the coming months of 2021 are expected to trigger strong cattle restocking. While restocking will take substantial time, it is expected that the increased rainfall, along with the retention of cattle that was already taking place in Australia, will eventually realign the current inventory closer to former levels.

**Figure 1. U.S. beef imports from Australia continue to fall year over year**



Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

**Figure 2. Australia Quarterly cows and heifer slaughter: 2018-2021**



Source: Australia Livestock Products, Cows and Heifer Slaughter, August 2021.



In October 2020, Australian exports to the United States fell by 19 million pounds from a year earlier, while total U.S. beef imports were up year-over-year (table 1). In November and December of 2020, the year-over-year difference in Australia's beef exports to the United States was greater than the difference in U.S. total volume of beef imported year over year for the same months. Further, the yearly difference in beef imports from Australia during the first quarter of 2021 was 4 million pounds more than the year-over-year difference in total U.S. beef imports over the same period (table 2). U.S. beef imports from other countries such as Canada, New Zealand, and Brazil rose each year during most of the observation period. However, the year-over-year decline in imports from Australia more than offset the increase in beef imports from these three countries, resulting in a net reduction in U.S. beef imports during the period of observation.

<b>Table 1. U.S. year-over-year beef imports in 2020 fourth quarter</b>						
	2019 Australia exports	2020 Australia exports	Difference in volume	2019 U.S. total imports	2020 U.S. total imports	Difference in volume
	- Million pounds-			- Million pounds-		
<b>October</b>	59.7	40.7	-19.0	241.0	250.4	9.4
<b>November</b>	58.6	44.8	-13.8	242.4	232.9	-9.5
<b>December</b>	59.4	40.1	-19.3	228.3	209.4	-18.9

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

Unlike the other 4 months in the observation period, the difference in February's total beef imports exceeded the difference in Australia's beef exports for that same month. While Australia alone could not have changed the year-over-year outcome for February, its diminished shipments to the United States were definitely a major contributor to low U.S. beef imports for February.

<b>Table 2. U.S. year-over-year beef imports in 2021 first quarter</b>						
	2020 Australia exports	2021 Australia exports	Difference in volume	2020 U.S. total imports	2021 U.S. total imports	Difference in volume
	- Million pounds-			- Million pounds-		
<b>January</b>	66.1	35.1	-31.0	244.2	224.4	-19.8
<b>February</b>	46.0	16.8	-29.2	230.6	198.5	-32.1
<b>March</b>	56.8	29.8	-27.0	299.0	273.2	-25.8
<b>April</b>	55.4	34.8	-20.6	270.7	274.8	4.1
<b>May</b>	45.9	28.2	-17.7	268.7	270.4	1.7
<b>June</b>	51.2	41.8	-9.4	308.3	320.4	12.1
<b>July</b>	79.5	32.7	-46.8	376.8	306.7	-70.1

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

Starting in November of 2020 and lasting through March of 2021, consecutive months of low U.S. beef imports are partly attributable to reduced imports from Australia that have not been fully offset by increased imports from other key U.S. beef-trade partners. In Australia, slaughter rates have been curbed due to a combination of a smaller overall herd and efforts to rebuild the cattle herd. Reduced slaughter in Australia has limited exportable supplies and put downward pressure on exports to the United States.

The United States demand for beef and ground beef will remain strong. To meet current and growing demand, more 90-percent lean beef trimmings will be needed to blend with the 50 percent lean beef trimmings from the United States to produce ground beef. Despite higher domestic cow slaughter, the U.S. supplies of lean ground beef are expected to tighten in the coming months as imports from Australia are expected to remain below 2020 levels. Australian beef production is expected to be down in 2021, which would continue to limit the availability of beef exportable supplies. Increased U.S. imports from other suppliers have risen in recent months and are expected to continue strong and to partially offset reduced imports from Australia.

## Suggested Citation

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