



United States
Department
of Agriculture

LDP-M-200

Feb 15, 2011



A Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

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Livestock Prices to Scale Higher in 2011

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on Mar 1, 2011

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release is Mar 16, 2011

Approved by the
World Agricultural
Outlook Board

Beef/Cattle: Factors that suggest the potential for higher prices for cattle, and ultimately for beef, in 2011 and beyond, include reduced supplies of feeder cattle for placement later this year, high grain prices, dry conditions in the southern United States that could affect both pasture and crops later this year, high demand for domestic processing beef, and increasing export demand for beef, in part due to a weak dollar.

Beef/Cattle Trade: For the first time, in 2010, the United States was a net exporter of beef on a quantity basis. Beef exports for 2010 totaled 2.3 billion pounds, and beef imports were fractionally below exports. Mexico remained the largest export destination for U.S. beef. Together, Mexico, Canada, Japan, and Korea take the majority (66 percent) of total U.S. beef exports. Total 2010 export numbers were primarily boosted by increased exports to Asia, Egypt, and Russia.

Pork/Hogs: First-quarter 2011 prices of live hogs are expected to remain year-over-year higher, with 51-52 percent lean live equivalent hogs averaging \$57-\$59 per cwt (hundredweight), more than 15 percent greater than a year earlier. U.S. exports finished the year at 4.227 billion pounds, 3.24 percent above 2009. Total 2010 imports were 3.1 percent greater than in 2009, and live hog imports, at 5.7 million head, were 9.7 percent below imports a year ago.

Poultry: Broiler meat production in 2010 was 36.9 billion pounds, up 3.9 percent from the previous year. The outlook for 2011 is for moderate increases in production during the first half of the year, with declining production in the second half. Turkey meat production in 2011 is forecast at 5.63 billion pounds, down fractionally from 2010. As with broilers, turkey production is expected to be higher in the first half of 2011, but to decline in the second half. In response to considerably higher whole bird prices in 2010, the number of poult placed in fourth-quarter 2010 rose by 3 percent. Table egg production is expected to increase slightly in 2011, reaching 6.6 billion dozen.

Poultry Trade: December broiler and turkey shipments were both up from a year earlier. Broiler shipments totaled 619 million pounds, an 8-percent jump from last December's shipments. Turkey shipments totaled 60.8 million pounds, an increase of 31-percent from a year ago. The 2010 fourth-quarter broiler shipments registered as the largest ever, while turkey shipments ranked third largest quarter shipments on record.

Sheep/Lamb: The NASS *Sheep and Goats* report showed that on January 1, 2011, the inventory totaled 5.53 million head, down 2 percent (a 90,000-head decline) from a year earlier. Lingering effects of the economic downturn and relatively high feed prices weighed on the producers' ability to expand the breeding flock. Texas, the top sheep-producing State, registered a 50,000-head increase in inventory, its first increase since January 1, 2006.

Dairy: Milk production is expected to rise in 2011, but not by as much as in 2010. Despite higher feed prices, both the national dairy herd and production per cow are forecast to increase. The all milk price is forecast substantially higher this year, as recovering domestic use for dairy products will compete with exporters for available supplies. Global demand for fats and powder will push the Class IV price higher and support the Class III price to keep milk in cheese production.

Cow Inventory Declines Imply Reduced Beef Supplies

Factors currently operating in the cattle/beef complex are reduced supplies of feeder cattle for placement later this year, high grain prices, dry conditions in the southern United States that could affect both pasture and crops later in the year, high demand for domestic processing beef, and increasing export demand for beef, in part due to a weak dollar. At first glance, most of these factors suggest the potential for higher cattle prices and, ultimately, higher prices for beef in 2011 and beyond. However, grain prices at some higher level could begin to choke off demand for feeder cattle, beef prices at some level could begin to choke off domestic beef demand, especially with poultry such a relative bargain, and changing weather conditions here and abroad could significantly affect the overall price outlook in either direction. While turning beef cow inventories around this year from their ongoing decline could be possible, it is not likely, especially with beef replacement heifer numbers at their January 1, 2011 levels.

The 1-percent increases in both the dairy cow and replacement heifer inventories will likely mitigate expected declines in beef cow slaughter somewhat, as the higher numbers will eventually contribute to higher total cow slaughter. In addition, any decrease in milk prices from the anticipated growth in milk production resulting from the 3-percent increase in dairy heifers expected to calve in 2011 could result in further additions to commercial cow slaughter.

Cow slaughter (weekly federally inspected (FI) basis)—with only a minor weather-related break—is continuing thus far in 2011 at rates only slightly below the ending rates of 2010. While Canadian cows continue to flow south to slaughter in the United States, they are being imported at a 37-percent slower pace through January 22, 2011. January cow prices have continued to move higher, averaging \$126.46 per cwt (National weekly direct dressed basis, 90-percent lean, 500 pounds and up), reflecting the demand for ground products in the face of declining supplies of mainly imported processing beef. Some recent news stories attribute at least some cow slaughter at current levels to exits from the cow-calf industry as producers age and to competition from crops for land.

The implications of continued cow slaughter in the face of the reduced beef cow herd, along with the expectation that some 7 percent fewer beef heifers will calve in 2011 than in 2010, are for a further reduction in the national beef cow herd during 2011. A smaller cow herd and any future heifer retention for breeding would likely lead to exceedingly tight feeder cattle supplies, at least through 2012 and 2013.

Higher Placements From Lower Feeder Cattle Supplies

Despite year-over-year 3.3 percent lower numbers of feeder cattle outside feedlots, volumes of feeder cattle sales through January and (thus far) February 2011 have generally been near those of a year ago and have generally been weighted toward lighter, under-600-pound calves. This may be an indication that feeder cattle are changing hands to go where there is relatively cheaper feed or pasture, given the deterioration of this winter's wheat pasture.

Some cattle also went to feedlots, as the total inventory of U.S. cattle on feed on January 1, 2011 was 3 percent above the year-earlier estimate and 2 percent above the January 1, 2009 estimate. Based on weekly import data, year-to-date feeder cattle imports from Mexico through February 5, 2011 are also well ahead of those for the same period in 2010 by 44 percent, and imports of Canadian feeder and slaughter cattle are slightly below year-earlier volumes for the corresponding period.

When cattle feeding margins increase to profitable levels, cattle feeders will often bid up feeder cattle prices, and there is a tendency to place cattle on feed earlier at generally lower weights than would typically be the case or to “pull them forward.” High and rising grain and feed prices may mitigate the incentives for pulling cattle forward for feedlot placement because it costs more to feed them during the implied longer feeding period. However, a number of factors can affect the actual timing of placements.

The small positive correlation between placement weight and final slaughter weight would imply that lighter weight feeder cattle will finish at lighter slaughter weights. While this is generally true, especially for lightweight young feeder cattle placed on feed at or shortly after weaning, there is also a tendency for lightweight older cattle and older heavier cattle to finish at heavier weights. This is because lightweight older cattle often have larger frames (bone structure) and make compensatory gains—rapidly gaining weight early in the feeding period to make up for gains not made on pasture before placement in feedlots—and then going on to finish at heavier weights.

Calves meant to be placed on wheat pasture, but instead carried through the winter on less nutritious feeds (with the intention of pasturing this summer to capture relatively cheap pasture gains), will grow this winter, but likely will not gain much weight. If they get pulled ahead this spring or late winter, they will be the “older lighter cattle” mentioned above and will make compensatory gains before going on to heavier slaughter weights. If they remain on pasture until late this summer or fall, they will be the “older heavier cattle” and will be sold out of feedlots, also at heavier weights. Cattle will be pulled forward rather than the more typical pattern until the aggregate beef cow herd increases to a level at which enough calves are produced to halt pulling feeder calves forward for placements—which may not occur until 2013 or 2014. This scenario could be tempered somewhat by fed cattle prices that will not cover feed and feeder cattle costs—a possibility later this winter and spring—or if corn prices go higher.

Feeder cattle supplies outside feedlots declined by more than 3 percent from the January 1, 2010 estimate, setting a new low for post-1996 estimates. This decline was consistent with the January 1, 2011, 17-percent decline in the number of cattle grazing on small grain pasture in Kansas, Oklahoma, and Texas. These declines are likely correlated with the increase in fourth-quarter 2010 net placements that were 7 percent below those of fourth-quarter 2009. December 2010 net placements were the third highest January estimate of the series beginning in December 1995. Despite the number of lightweight feeder cattle placed in December 2010, there were still large placements of heavy feeder cattle—the over-800-pound group comprised a larger share of total placements than those of any recent December.

Are Beef Prices at Temporary Highs?

December 2010 marketings were the second highest December estimate in the series since its beginning in December 1995 and the highest since 1999. Average dressed weights of steers and heifers peaked seasonally in October 2010 and, although declining since, remain above year-earlier weights (weekly FI basis). Although cumulative weekly FI beef production through early February is just over 2 percent below a year earlier, the year-over-year heavier dressed weights, combined with the large placements of heavy cattle this past fall and winter, are expected to result in greater year-over-year cattle slaughter and beef production for the first half of 2011. With placements expected to be lower year-over-year during the first half of 2011, cattle on feed and beef production during the second half will likely be below that for the second half of 2010. For 2011, production is expected to be lower than in 2010.

As U.S. beef imports fail to fully close the gap between domestic processing beef and fed cattle trim in the U.S. market for ground beef products, cow prices continue to hold steady or increase. However, the price of fed cattle trim, especially 50-percent lean trim, has declined because the relative quantities of each type of beef and trim used in the manufacture of popular percentage-lean blends have changed, which implies that tight supplies of lean beef is limiting opportunities to use fed-cattle trimmings for blending. Some of the shortfall in processing beef is being made up by grinding more end cuts, like rounds from fed cattle.

Retail prices backed off a bit in December 2010, with the Choice beef price declining 1 percent from the November high of \$4.48. However, the December price for all-fresh beef, which includes ground beef, declined only 2 cents per pound, indicative of the importance of ground beef in the current retail market at the expense of pricier cuts. Despite anticipated year-over-year increases in first-half-2011 beef supplies, retail prices could find some support as the U.S. domestic economy improves and beef exports continue to increase. Demand for anticipated low second-half 2011 beef supplies will likely generate higher second-half prices.

The United States a Net Exporter of Beef in 2010

U.S. beef exports for 2010 totaled 2.3 billion pounds, a 19-percent year-over-year increase, and, for the first time, by a narrow margin the United States was a net exporter of beef. Strong global demand for U.S. beef coupled with a favorable exchange rate between the United States and major export trading partners, boosting export levels. However, the exchange rate also made imported beef relatively more expensive for U.S. importers, particularly following a period early in 2010 when supplies from Australia and New Zealand were limited. Export growth was largely fueled by increased exports to Asia, as U.S. beef exports to Japan and South Korea were 28 and 97 percent above 2009 levels. U.S. beef exports to Taiwan and Hong Kong were 46 and 62 percent higher. The largest quantity of U.S. beef since 1999 was exported to Russia, and exports to Egypt were the largest on record.

Beef imports for 2010 were just under 2.3 billion pounds and 13 percent below 2009 levels. Fourth-quarter shipments fell 21 percent lower, year-over-year; this occurred while the export levels were 25 percent higher. Total 2010 beef imports from Australia and New Zealand were 28 and 9 percent below year-earlier levels. Imports of Brazilian beef were a fraction of typical levels because shipments to the United States ceased in the second half of the year. For 2011, modest growth is anticipated for the United States in both the import and export markets. U.S. beef imports are forecast at 2.39 billion pounds, 4 percent higher year-over-year, and beef exports are forecast at 2.35 billion pounds, a 2-percent increase. Higher quantities of beef will be available for export from Oceania, compared with the beginning of last year; however, the exchange rate between the U.S. and Australian/New Zealand dollars could continue to limit trade flows of processing beef to the United States. On the export side, beef production is forecast 1.5 percent lower compared with 2010; thus, depending on the strength of domestic demand, growth in export availability of U.S. beef above 2010 may be somewhat squeezed.

Increased Demand Likely Supporting Pork and Live Hog Prices

Increasing pork demand appears to be a driving force behind strong January prices for wholesale pork cuts and live hogs. Estimated January commercial pork production was more than 3 percent above a year ago, while wholesale pork prices were almost 15 percent ahead of prices in January 2010. Larger pork supplies sold at higher prices strongly suggest that pork demand has increased.

Strong wholesale prices are likely supporting live hog prices as packers bid to maintain—or even increase—slaughter numbers, in an environment of lower animal numbers. The December *Hogs and Pigs* report indicated that the inventory of the weight class of animals likely to be slaughtered in January and early February—animals weighing between 120-179 lbs—was slightly lower than in the same period of 2010. Smaller numbers of available slaughter hogs likely induced packers to increase prices paid for hogs. The January price of 51-52 percent live equivalent hogs was \$55.56 per cwt, 11.5 percent ahead of hog prices in January 2010. First-quarter hog prices are expected to be \$57-\$59 per cwt, about 15 percent above the same period last year. First quarter commercial pork production is expected to be almost 1 percent larger than in the same period last year, due to expected higher dressed weights.

Strong Exports Finish the Year

The USDA pork export forecast for 2011 was raised from 4.615 billion pounds to 4.675 billion pounds, largely on the expectation of increased exports to South Korea. A recent outbreak of Foot and Mouth disease in South Korea prompted its government to undertake a significant animal cull and to reduce the import duty on the 60,000 MT tariff-rate quota (TRQ) for frozen pork from 25 percent to zero until June 30, 2011. Stronger economic growth in other important pork-importing countries is also likely to increase demand for U.S. pork.

Total fourth-quarter 2010 pork exports were 1.147 billion pounds, an increase of 2.8 percent over the same period last year. Total 2010 shipments were 4.227 billion pounds, 3.2 percent larger than 2009 exports. The largest foreign destinations of U.S. pork in 2010 were Japan (accounting for 30 percent of U.S. exports in 2010), Mexico (25 percent), Canada (10 percent), South Korea (5 percent), and Hong Kong (5 percent). Last year, exports accounted for almost 19 percent of U.S. pork production. In 2000, that proportion was 6.8 percent.

U.S. pork imports finished the fourth quarter 1.5 percent below a year earlier, at 219 million pounds. Total imports for 2010 were almost 860 million pounds, 3.1 percent larger than in 2009. Import shares stayed relatively constant year-over-year, with Canada accounting for 81 percent of U.S. imports in both 2010 and 2009. Nine percent of U.S. imports last year were of Danish origin, compared with almost 10 percent in 2009. Live swine imports fell almost 10 percent in 2010 compared with 2009.

Broiler Meat Production Forecast at 37.3 Billion Pounds in 2011

The outlook for broiler meat production in 2011 is for a small increase in year-over-year production during the first half of the year, followed by a slight decline in production in the second half compared with the previous year. The estimate for broiler meat production in 2011 is 37.3 billion pounds, up about 1 percent from 2010. The broiler industry is expected to face conflicting pressures during 2011. Broiler product demand is expected to gradually increase as domestic consumption growth is supported by an improving economy and gradually falling unemployment rates. However, broiler producers seem to have scaled back expansion plans due to rising costs resulting from sharp increases in feed prices.

In December 2010, broiler meat production was reported at 3.17 billion pounds, up 6.9 percent from a year earlier. The number of birds slaughtered increased year-over-year by 3 percent, and additionally, the average liveweight at slaughter rose to 5.85 pounds, 3.5 percent higher than in December 2009. Broiler meat production in fourth-quarter 2010 totaled 9.48 billion pounds, up sharply (7.4 percent) from fourth-quarter 2009. The growth was again due to both an increase in the number of broilers being slaughtered (up 3.5 percent) and a strong increase in the average liveweight at slaughter (up 3.6 percent). The average liveweight per bird at slaughter in fourth-quarter 2010 was a record 5.87 pounds.

Broiler meat in cold storage at the end of December 2010 totaled 760 million pounds, up 23 percent from the previous year and 82 million pounds higher than at the end of the third quarter. With a sharp expansion in production during the fourth quarter that has extended into the first quarter of 2011, ending stocks are expected to remain well above year-earlier levels through the first half of 2011, then to move below year-earlier levels in the second half of the year. The increase in cold storage holdings for almost all broiler products during fourth-quarter 2010 was the result of a large jump in production. The lone exception was leg quarters. From the end of the third quarter to the end of the year, cold storage holdings of leg quarters fell by 13 million pounds (down 11 percent) to 110 million pounds. The reduction in leg quarter holdings was the result of very large fourth-quarter exports. Frozen leg quarters are the primary U.S. export product, and broiler exports for fourth-quarter 2010 were 1.95 billion pounds, the largest ever quarterly exports.

In January 2011, prices for boneless/skinless breast meat in the Northeast market averaged \$1.12 per pound, down 11 percent from the previous year and 2 cents per pound lower than in December 2010. Over the first half of 2011, breast meat prices are expected to benefit from improving economic conditions, especially if restaurant sales strengthen, and with high prices for competing meats. Leg quarter prices in the Northeast market were also lower, averaging 35.4 cents per pound in January 2011 compared with 36.6 cents per pound the previous year. Leg quarter prices were steady through most of 2010 as a strong export market counterbalanced weaker demand in the domestic market. Broiler meat exports are forecast to remain close to the large shipments seen in 2010. If exports remain relatively strong, there is likely to be some upward pressure on leg quarter prices in the second half of 2011, as production levels fall slightly below the previous year. This may be partially countered by somewhat higher stock levels at the beginning of second-half 2011.

Turkey Meat Production Forecast for 2011 Increased

Turkey meat production in 2011 is forecast to total 5.62 billion pounds, down slightly from 2010. The current forecast is an increase of 65 million pounds from the January forecasts. If realized, this would be the third year in a row with declining turkey meat production. Turkey meat production is expected to show slightly higher production output in the first half of 2011, but these gains are expected to be more than offset by lower production in the second half of 2011. The lower meat production is expected to arise from a smaller number of birds slaughtered, as the average liveweight at slaughter is expected to remain relatively close to year-earlier levels. Turkey producers, like other livestock producers, will be faced with sharply higher feed costs and the uncertainty over whether wholesale prices will be high enough to maintain positive margins.

The number of turkeys slaughtered in 2010 was 243 million birds, just over 1 percent less than the previous year. In 2009, the number of turkeys slaughtered had declined by 9.4 percent. In 2010, turkey meat production fell marginally (down 0.3 percent) to 5.6 billion pounds. The lower number of turkeys slaughtered was the reason for the decline, as the annual average liveweight for turkey at slaughter in 2010 was 29.1 pounds, a small increase (0.7 percent) from the previous year.

Turkey meat production in fourth-quarter 2010 was 1.51 billion pounds, up 4.5 percent from the previous year after being lower on a year-over-year basis in the first three quarters of 2010. The production declines during the first three quarters of 2010 were a continuation of the strong production declines seen throughout 2009. The increase in meat production in fourth-quarter 2010 was due to a combination of a higher number of turkeys being slaughtered (up 3.5 percent) and a less than 1 percent increase in the average liveweight of those birds at slaughter.

The sharp 2009 turkey production decline, followed by the small decline in 2010, has led cold storage holdings for whole turkeys and turkey parts to decline to very low levels. At the end of December 2010, turkey cold storage holdings totaled 188 million pounds, down 28 percent from a year earlier. The 188 million pounds in cold storage holdings was the lowest year-ending level since 1986. Stocks of whole birds declined the most, falling to 42 million pounds by the end of 2010, down 45 percent from the previous year. Stocks of other turkey meat products also decreased markedly, falling to 146 million pounds, a 21-percent decrease from the previous year. With turkey production in the first half of 2011 expected to be slightly higher than the previous year, turkey ending stocks are expected to gradually come closer to year-earlier levels in the first half of 2011 and to move slightly higher than the previous year in the second half, as strong prices reduce exports.

The national prices for frozen whole hens averaged 88.1 cents per pound in January 2011, an increase of 21 percent from January 2010, but 10 percent lower than in December 2010, as prices traditionally decline in the first part of the year. With only slightly higher production expected during the first half of 2011 and much lower beginning stocks of whole birds and other turkey meat, national prices for frozen hens are expected to remain above year-earlier levels at least through the first half of 2011.

Table Egg Production Forecast at 6.6 Billion Dozen in 2011

Table egg production is expected to increase only slightly in 2011, reaching 6.6 billion dozen, up from the 6.5 billion dozen produced in 2010. The increase in production is expected to be spread out fairly evenly throughout the year and is expected to come from small increases in the number of hens in the table egg flock, combined with relatively little change in the rate of eggs produced per bird. The number of birds in the table egg flock was higher in 4 of the 6 months in the second half of 2010, and the flock is expected to remain above year-earlier levels through the first several months of 2011. While the prices for almost all feed components have risen rapidly in the last several months, egg prices are expected to get some support from higher prices for beef and pork.

Hatching egg production for 2011 is forecast at 1.07 billion dozen, basically unchanged from 2010, reflecting, slowing growth in broiler production as large increases in grain prices pressure integrator margins. The reduction in production is expected to be in the second through the fourth quarters, with production in the first quarter of 2011 being slightly higher than the previous year.

Table egg production reached 1.66 billion dozen in fourth-quarter 2010, giving a total for the year of 6.52 billion dozen, up less than 1 percent from the previous year. Table egg production was higher in 9 months in 2010 and only fell in October and November. Production of hatching eggs totaled 1.07 billion dozen in 2010, as production was slightly higher in all four quarters. The increase in hatching egg production was due primarily to higher production of meat-type eggs and the number of hens in the broiler-breeder flock averaging over 2 percent higher in 2010 than the previous year. The size of the-broiler-breeder flock was higher throughout 2010 than in the previous year, in contrast to 2009, where the flock size was lower through most of the year than in 2008.

With only a small increase in egg production and a strong gain in exports, domestic wholesale table egg prices averaged just over \$1.06 per dozen in 2010, up 3 percent from the previous year. Prices in fourth-quarter 2010 averaged \$1.23 per dozen, a gain of 4.7 percent from fourth-quarter 2009. In January 2011, table egg prices declined to around \$1.03 per dozen in the New York market, partially due to seasonal drops in demand after the New Year. However, by early February 2011, prices had strengthened somewhat, to just over \$1.10 per dozen. With some growth forecast in production and an expected less robust export trade, wholesale table egg prices are expected to average \$0.98 to \$1.04 per dozen in 2011.

Egg Exports Forecast at 247 Million Dozen for 2011

After increasing by 7 percent to 258 million dozen in 2010, a result of strong demand for table eggs and egg products, total egg exports are expected to decline by 4 percent in 2011 to 247 million dozen.

Although domestic prices are expected to decline some in 2011, the decline in egg exports is expected to come from smaller shipments of egg products to EU countries. Higher shipments of egg products to EU countries had been a major factor in higher egg exports in 2010.

Broiler Shipments Rose in December

December completed a year that began with some market uncertainty and challenges surrounding unresolved trade issues between the United States, Russia, and China. These issues brought about great fluctuations in broiler shipments, but the resumption of trade with Russia contributed to large shipment volumes toward the year's end. In December, broiler shipments totaled 619 million pounds, an 8-percent increase from last December. Most of the increase in December 2010 broiler shipments came from Russia, Mexico, Hong Kong, and Angola, four of the U.S. top seven broiler markets. Broiler shipments to Russia rose by 63-percent from a year ago, while shipments to Mexico, Hong Kong, and Angola rose by 22-percent, 143-percent, and 345-percent, respectively. The volume of broiler shipments in December was the third largest in 2010. In December 2009, lower exports to Georgia, Lithuania, and Ukraine accounted for 7-percent of the U.S. broiler shipments, but 1 year later their combined share dwindled to less than 1-percent.

Broiler Shipments Set New Record in Fourth Quarter

Broiler shipments finished the 2010 year with large volumes of broiler meat shipped during the last 4 months. In the fourth quarter, broiler shipments totaled 1.954 billion pounds, which surpassed the previous record set in the third quarter of 2008. Major contributors included Mexico, Russia, and Hong Kong. Mexico accounted for 13 percent of the total volume shipped in the fourth quarter, while Russia and Hong Kong accounted for 29 percent and 6 percent, respectively.

Turkey Shipments Finished Strong in December

Turkey shipments in December 2010 were up 31 percent from the previous year. A total of 60.8 million pounds of turkey meat was shipped abroad, with over half (56-percent) going to Mexico. In addition to Mexico, other major contributors to U.S. export trade included China and Canada. Fourteen-percent of the U.S. total turkey shipments went to China, which saw a 155-percent increase over the volume shipped the previous December. Turkey shipments to Canada accounted for only 8 percent of the U.S. total December 2010 volume; when compared with the previous December's shipments, 182-percent more turkey meat was shipped to the Canadian coast this December.

Fourth-Quarter Turkey Shipments Rose Substantially

The last 6 months of turkey shipments have been the largest volumes recorded in the year 2010. Shipments sent out in the months of October, November, and December totaled over 174 million pounds, the third largest volume ever recorded. Three of the U.S. primary turkey markets, Mexico, China, and Canada, accounted for over 72-percent of the total turkey shipment for the fourth quarter. Of the three major markets, Mexico has been the largest destination for U.S. turkey meat.

Sheep and Lamb Inventory Decline, but Top-Producing States Stabilize

The NASS *Sheep and Goats* report showed that on January 1, 2011, the inventory totaled 5.53 million head, down 2 percent (a 90,000-head decline) from a year earlier. Lingering effects of the economic downturn and relatively high feed prices weighed on the producers' ability to expand the breeding flock. There was a 30,000-head increase in the total sheep inventory in the five largest sheep-producing States combined, but three of the top five registered either a gain or no change in inventory. Inventory increased in Texas after 4 consecutive years of decline. While Texas, the number one sheep-producing State, registered a 50,000-head increase, South Dakota, the fifth largest, registered a 50,000-head decline. Only nine States showed inventory increases, most of them located in the Northeast. The Plains States were divided: while the Southern Plains States saw a 50,000-head increase in inventory, the Northern Plains States saw a 70,000-head decline.

Breeding sheep inventory decreased to 4.12 million head, down 2 percent (a 70,000-head decline) from a year earlier despite a 2-percent jump (15,000 head) in replacement lambs over a year earlier. It appears that the rapid increase in both sheep and lamb prices in 2010 provided little incentive for producers to undertake significant retention and herd rebuilding. Instead, producers appeared to opt for the short-term gains from marketing their animals. With the smaller breeding herd and the 1-percent decline in market sheep and lambs on January 1, 2011 over January 1, 2010, supply is expected to be very tight in 2011. The smaller 2010 lamb crop and the smaller number of market lambs are expected to result in further declines for 2011, with production expected at 157 million pounds.

Record Prices Expected To Continue in 2011

In 2010, record price increases over those of 2009 were observed in all categories of the sheep industry. Feeder lamb prices at San Angelo, Texas, were up by an average of nearly \$3 per cwt over 2009. Ewe lamb prices at San Angelo increased by an average of nearly \$20.00 per cwt. Wholesale Lamb Carcass Price, Choice-Prime, East Coast, 55-65 pounds, averaged \$263.07 per cwt, up nearly \$38 per cwt. Given the tight supplies, prices in all these categories are expected to remain strong in 2011.

In 2010, the Choice slaughter lamb prices at San Angelo averaged \$116.81, due largely to continued tight supplies. In the fourth quarter alone, prices increased by more than \$25 per cwt over the previous quarter. Prices are expected to remain strong for 2011 and average \$151-\$159 per cwt, about one-third higher than last year's price. January 2011 prices have already topped the full-year average forecast, coming in at \$164.19 per cwt. The continued tight supplies are expected to be the main cause of the strong prices, as demand is expected to remain fairly stable. Strong slaughter lamb prices are expected to result in strong wholesale prices. Given the tight supplies, wholesale lamb carcass prices are also expected to remain strong in 2011.

Fourth-quarter 2010 commercial production of lamb and mutton came in at 42 million pounds. This is about 7 percent below the fourth quarter of 2009 and resulted in full-year 2010 total commercial production of 164 million pounds, the lowest U.S. lamb production on record. The composition of mature animals comprising commercial slaughter remained high, near 7 percent, probably due in part to the attractive prices for culled ewes. First-quarter 2011 production is estimated at 40 million pounds, down 7 percent from the same period in 2010. January 2011 preliminary slaughter estimates were at record lows, around 11 million pounds. However, production is expected to increase later into the quarter in preparation for the religious holidays.

Imports Expected To Show Slight Increase 2011

Lamb and mutton imports continued to offset domestic production, but slowed considerably in 2010, primarily because of the strength of the Australian and New Zealand dollars. As the currencies in Oceania strengthened and moved closer to parity with the U.S. dollar, imports from these countries showed marked declines in 2011. Imports in December came in at around 19 million pounds, resulting in lamb and mutton imports of 41 million pounds for the fourth quarter and a total of 164 million pounds for 2010, down 4 percent from 2009. First-quarter 2011 imports are expected to be around 48 million pounds, about 2 percent above the first quarter of 2010, as wholesalers and retailers are expected to increase stocks in preparation for increased demand during the religious holidays in mid-April. However, a slight uptick in imports is expected, driven largely by improved economic conditions and the tight U.S. supply. Imports in 2011 are expected to increase by approximately 2 percent to around 168 million pounds.

Exports totaled 16 million pounds in 2010, equaling last year. December exports came in at 2 million pounds, with a fourth-quarter total of 3 million pounds, down 40 percent from 2009. Despite increases in exports to the Middle East and several Caribbean countries, overall exports were down. First-quarter 2011 exports are forecast at 4 million pounds, 33 percent below those of the same period in 2010. Exports for all of 2011 are expected to show no significant change from those of 2010, as tight U.S. supply may limit the ability of the United States to boost its exports.

Both Milk Production and Milk Prices Are Expected To Be Higher in 2011

Feed prices continue upward. The soybean meal price is projected at \$340 to \$380 per ton, up from last month's projection. Slightly lower planted acreage and lower yields combined to cause the rise in the forecast. The corn price forecast was also raised, to \$5.05 to \$5.75 per bushel. Despite an increase in harvested acreage, corn production is forecast lower due to an expected 11.9-bushel fall in the national average yield per acre. The corn season-ending stocks-to-use ratio is forecast to be the lowest since 1995/96.

The Nation's dairy herd continues a modest expansion. The fourth-quarter 2010 dairy cow population was higher than in the corresponding quarter of 2009. The January *Cattle* report indicated that milk cows and dairy replacement heifers had both risen by 1-percent year-over-year. The *Livestock Slaughter* report showed dairy cow slaughter in December 2010 ahead of both November and December 2009. The proportion of replacements relative to cows is about the same as last year. The evidence suggests an ample number of dairy replacements are available for both herd freshening and some expansion. Despite substantially higher feed costs, higher milk prices could provide enough margin for many producers to continue the herd expansion that began last fall. Herd size will likely contract toward the end of 2011 as already high feed costs continue to escalate. Over the course of the year, the herd size will average 9.15 million cows. Production per cow is expected to rise by about 1 percent, near trend and below last year's stellar 2.8 percent increase. The result will be 196.1 billion pounds of milk produced in 2011.

Milk equivalent imports for 2011 are forecast at 3.9 billion pounds on a fats basis and 4.7 billion pounds on a skim-solids basis, continuing the downward trend of the past 2 years. Milk equivalent exports are projected to reach 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. The export forecasts are below 2010 totals, and although world supplies are tight, higher production from Oceania over the course of the year is expected to ease the international supply situation. Exporters will have to compete with a resurgent U.S. domestic market where use is expected to climb by 2.3 percent on a fats basis and 3.1 percent on a skim-solids basis.

Product prices will be higher across the board this year than in 2010. Cheese prices are forecast at \$1.640 to \$1.710 per pound, and have been buoyed by high prices for butter and nonfat dry milk (NDM). Commercial use of cheese rose in 2010 and is expected to remain strong in 2011. The exceptionally high butter and NDM prices reflect robust export prospects for both products. Although prices will likely retreat from current highs as milk production from Oceania increases seasonally, tight world butter supplies should maintain the price above 2010 for much of the year. The butter price is expected to be \$1.710 to \$1.810 per pound. NDM prices are expected to be \$1.345 to \$1.405 per pound on the same conditions as those for butter prices. Whey prices are also expected to rally, as strong global powder demand may encourage some substitution of lower priced whey for other powder products. Whey prices are expected to be 40.0 to 43.0 cents per pound.

Milk prices will be higher this year. The Class IV price is expected to average \$16.70 to \$17.50 per cwt. The Class III price is expected to be below the Class IV price this year and to average \$15.80 to \$16.50 per cwt. The expected higher Class prices will push the all milk price well above 2010 to a forecast \$17.70 to \$18.40 per cwt for 2011.



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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/Data/MeatPriceSpreads/>, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, <http://www.ers.usda.gov/Data/MeatTrade/>, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/Publications/ldp/>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
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U.S. red meat and poultry forecasts

	2004	2005	2006				2007 1/				2008				2009				2010				2011									
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb																																
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,237	6,649	6,802	6,733	26,421	6,372	6,899	6,908	6,382	26,561	6,248	6,602	6,689	6,424	25,963	6,251	6,549	6,771	6,746	26,316	6,420	6,610	6,575	6,310	25,915
Pork	20,511	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	5,256	6,163	21,943	6,024	5,593	5,632	6,098	23,347	5,811	5,488	5,698	5,996	22,993	5,607	5,301	5,401	6,127	22,436	5,655	5,350	5,505	6,020	22,530
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	45	171	43	40	39	42	164	40	39	38	40	157
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,145	9,439	9,457	8,865	36,906	8,573	8,939	9,172	8,827	35,511	8,732	9,198	9,496	9,478	36,904	9,125	9,325	9,475	9,375	37,300
Turkeys	5,454	5,504	1,351	1,435	1,419	1,476	5,682	1,413	1,482	1,488	1,575	5,958	1,536	1,560	1,568	1,582	6,246	1,385	1,420	1,417	1,441	5,663	1,340	1,383	1,415	1,506	5,644	1,375	1,400	1,410	1,440	5,625
Total red meat & poultry	85,442	87,097	21,792	22,362	22,413	22,656	89,224	21,874	22,552	22,876	23,962	91,264	23,292	23,717	23,791	23,137	93,937	22,148	22,561	23,091	22,819	90,618	22,124	22,628	23,196	24,058	92,102	22,769	22,881	23,166	23,348	92,164
Table eggs, mil. doz.	6,365	6,413	1,617	1,617	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,587	1,577	1,599	1,640	6,403	1,597	1,603	1,614	1,661	6,475	1,603	1,620	1,639	1,662	6,524	1,630	1,630	1,645	1,690	6,595
Per capita disappearance, retail lb 2/																																
Beef	66.1	65.6	15.8	16.9	16.9	16.3	65.8	15.9	16.6	16.4	16.2	65.2	15.6	16.3	15.8	15.1	62.8	15.3	15.7	15.6	14.7	61.2	14.6	15.1	15.3	14.6	59.5	14.6	15.0	14.8	14.2	58.5
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.6	12.0	13.3	49.5	12.5	12.0	12.5	13.0	50.1	11.8	11.4	11.7	12.9	47.8	11.7	11.3	11.4	12.3	46.7
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.2	0.2	0.3	1.0	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.9
Broilers	84.4	85.8	21.7	22.1	21.9	20.9	86.5	21.2	21.6	21.4	21.2	85.4	21.3	21.4	21.1	19.7	83.5	19.3	20.1	20.6	19.6	79.6	20.0	20.5	21.4	20.6	82.5	20.5	21.1	21.3	20.7	83.6
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	5.3	17.6	3.7	3.9	4.0	5.3	16.9	3.5	3.6	4.1	5.2	16.4	3.5	3.7	3.7	4.9	15.9
Total red meat & poultry	221.6	221.0	54.1	55.5	55.6	56.1	221.3	53.9	55.1	54.9	57.6	221.6	54.1	54.2	53.8	54.0	216.1	51.4	52.4	53.4	53.3	210.5	50.6	51.2	53.2	53.8	208.8	51.0	51.7	51.8	52.8	207.3
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	62.0	63.8	248.9	62.0	61.5	61.4	62.9	247.7	61.1	61.1	61.8	62.4	246.3	61.4	61.2	61.7	63.0	247.4
Market prices																																
Choice steers, 5-area Direct, \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	93.45	91.36	91.85	91.82	89.59	92.82	98.45	88.22	92.27	84.48	84.48	83.05	83.29	83.25	89.44	96.33	95.47	100.28	95.38	103-107	103-108	101-109	102-110	102-109
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.53	108.87	115.64	108.88	108.23	99.88	106.60	110.81	94.62	102.98	92.84	98.64	99.40	93.67	96.14	98.73	112.65	112.29	111	108.71	118-122	120-125	116-124	118-126	117-125
Cutter Cows, National L.E., \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	54.07	49.40	52.12	53.88	57.30	61.78	46.70	54.92	45.42	48.57	46.44	43.56	46.00	51.79	58.79	58.90	54.93	56.1	60-64	61-65	58-64	58-64	60-64
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.23	87.33	87.55	84.93	86.23	79.62	88.83	88.95	85.91	90.14	91.44	88.35	90.47	90.10	103.87	106.17	115.57	142	124.67	151-155	152-162	151-161	152-162	151-161
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	42.74	38.90	41.20	41.24	50.41	59.60	60.13	50.11	55.06	57-59	59-63	60-66	54-58	58-61
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.00	80.30	79.20	71.10	76.40	78.10	80.60	80.60	79.40	79.70	79.70	81.90	76.80	72.10	77.60	82.2	85	84.5	80	82.9	77-79	80-84	82-88	82-88	80-85
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.70	77.90	89.90	90.80	82.10	77.40	88.90	96.50	87.30	87.50	73.80	79.10	81.40	83.80	79.50	75.6	84.4	97.9	103.7	90.4	87-89	87-93	90-98	93-101	89-95
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	122.60	128.30	109.70	89.70	94.80	117.70	103.00	126	82.8	93.1	123.2	106.3	107-111	88-94	90-98	106-114	98-104
U.S. trade, million lb																																
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	496	518	1,869	478	585	590	650	2,303	580	610	590	565	2,345
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	655	2,537	704	751	623	550	2,628	573	690	598	410	2,271	525	630	640	590	2,382
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	28	46	171	47	46	30	38	161	48	44	33	43	168
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,016	1,125	4,126	1,047	1,081	952	1,150	4,230	1,120	1,135	1,165	1,255	4,675
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	210	223	834	199	204	237	240	880	220	220	235	245	920
Broiler exports	4,783	5,203	1,270	1,297	1,234	1,404	5,205	1,275	1,393	1,493	1,610	5,771	1,507	1,787	1,912	1,756	6,962	1,753	1,655	1,719	1,708	6,835	1,488	1,683	1,648	1,875	6,694	1,625	1,625	1,675	1,725	6,650
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	114	136	159	165	574	130	135	145	150	560
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,201	2,083	9,348	1,761	1,614	1,518	1,472	6,365	1,446	1,408	1,479	1,450	5,783	1,450	1,410	1,480	1,450	5,790

1/Forecasts are in bold.

2/Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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Dairy Forecasts

	2009		2010					2011				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,090	9,201	9,091	9,111	9,122	9,126	9,113	9,155	9,160	9,160	9,140	9,154
Milk per cow (pounds)	5,090	20,576	5,209	5,461	5,271	5,210	21,150	5,320	5,515	5,310	5,280	21,425
Milk production (bil. pounds)	46.3	189.3	47.4	49.8	48.1	47.5	192.7	48.7	50.5	48.6	48.3	196.1
Farm use	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.3	191.8	48.5	50.3	48.4	48.0	195.2
Milkfat (bil. pounds milk equiv.)												
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.3	191.8	48.5	50.3	48.4	48.0	195.2
Beginning commercial stocks	13.7	10.1	11.3	13.0	13.4	12.1	11.3	10.8	12.5	14.1	13.3	10.8
Imports	1.3	5.6	1.2	1.0	1.0	1.0	4.1	1.0	0.9	1.0	1.1	3.9
Total supply	61.0	204.0	59.7	63.5	62.2	60.3	207.2	60.2	63.6	63.5	62.4	209.9
Commercial exports	1.2	4.5	1.3	2.4	2.4	2.0	8.1	1.5	1.7	1.7	1.5	6.4
Ending commercial stocks	11.3	11.3	13.0	13.4	12.1	10.8	10.8	12.5	14.1	13.3	11.2	11.2
Net removals	0.6	0.7	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Commercial use	47.7	187.3	45.1	47.8	47.7	47.6	188.1	46.2	47.9	48.5	49.7	192.3
Skim solids (bil. pounds milk equiv.)												
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.3	191.8	48.5	50.3	48.4	48.0	195.2
Beginning commercial stocks	11.5	10.9	11.3	11.8	12.5	12.3	11.3	12.1	11.6	12.6	12.2	12.1
Imports	1.4	5.5	1.2	1.2	1.3	1.3	4.8	1.3	1.1	1.1	1.2	4.7
Total supply	58.9	204.7	59.6	62.5	61.6	60.9	207.9	61.8	63.0	62.1	61.4	211.9
Commercial exports	6.1	22.4	6.2	8.7	8.4	8.8	32.1	7.7	7.9	7.7	7.3	30.7
Ending commercial stocks	11.3	11.3	11.8	12.5	12.3	12.1	12.1	11.6	12.6	12.2	12.0	12.0
Net removals	0.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.4	168.6	42.0	41.3	40.9	40.0	164.2	42.5	42.4	42.1	42.2	169.2
Milk prices (dol./cwt) 1/												
All milk	15.40	12.83	15.60	15.07	16.80	17.70	16.29	17.80	18.40	17.55	17.05	17.70
								-18.10	-19.00	-18.45	-18.05	-18.40
Class III	13.96	11.36	13.85	13.31	15.06	15.40	14.41	15.55	16.30	15.95	15.35	15.80
								-15.85	-16.90	-16.85	-16.35	-16.50
Class IV	13.37	10.89	13.22	14.82	16.04	16.29	15.09	17.60	17.60	16.35	15.35	16.70
								-18.00	-18.30	-17.35	-16.45	-17.50
Product prices (dol./pound) 2/												
Cheddar cheese	1.508	1.296	1.471	1.419	1.587	1.614	1.523	1.610	1.675	1.660	1.615	1.640
								-1.640	-1.735	-1.750	-1.715	-1.710
Dry whey	0.344	0.258	0.386	0.366	0.362	0.373	0.372	0.395	0.420	0.405	0.385	0.400
								-0.415	-0.450	-0.435	-0.415	-0.430
Butter	1.350	1.209	1.387	1.551	1.915	1.955	1.702	1.965	1.820	1.590	1.460	1.710
								-2.025	-1.910	-1.710	-1.590	-1.810
Nonfat dry milk	1.142	0.922	1.107	1.212	1.174	1.183	1.169	1.325	1.395	1.365	1.315	1.345
								-1.355	-1.445	-1.435	-1.385	-1.405

1/ Simple averages of monthly prices. May not match reported annual averages.

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmms/mib/fedordprc_dscrp.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.

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Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp>