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Livestock, Dairy, and Poultry Outlook

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Drought and Disease Continue To Influence Market Dynamics

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Tables will be released
on May 29, 2014

The next newsletter
release is Jun 18, 2014

Approved by the
World Agricultural
Outlook Board.

Beef/Cattle: The continuing decline in feeder cattle supplies outside feedlots is reflected in record and near-record prices for all weights of feeder cattle. Relatively stronger feeder heifer prices suggest the possibility of the beginning of increases in cow inventories over the next few years. At the same time, current levels of cow slaughter reflect ongoing drought in the Plains, Southwestern, and Western United States, and drought could again interfere with any plans for expanding cow inventories.

Beef/Cattle Trade: U.S. beef exports were up 5 percent in the first quarter of 2014 while imports of beef were up only 1 percent. Cattle imports through March are up 2 percent from a year earlier due to higher shipments from Canada.

Recent Livestock, Dairy, and Poultry Special Articles

"Effect of the Trans-Pacific Partnership on U.S. Dairy Trade," pdf pages 19-25 of November 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1221780/specialarticleldpm233.pdf>)

"Determinants of Japanese Demand for U.S. Pork Products in 2012," pdf pages 20-25 of the May 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1106754/ldpm227.pdf>)

"U.S. Pork Production Rises on a Smaller Base of Breeding Animals," pdf pages 16-19 of the April 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

"Implications of the Trans-Pacific Partnership for Meat, Poultry, and Seafood Trade," pdf pages 20-24 of the April 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

Pork/Hogs: Pork production is expected to increase 2.9 percent next year as pork producers gain facility in managing Porcine Epidemic Diarrhea (PEDv). Pork exports in 2015 are expected to increase about 3.8 percent. First quarter 2014 exports were 1.345 billion pounds, 10.4 percent greater than the same period a year ago. Exports to Mexico, Asia, and to South America were particularly strong in March.

Poultry: Broiler meat production is forecast at 39.3 billion pounds in 2015, 2.2 percent higher than in 2014. The expansion in production is expected due to lower feed costs and continued gains in domestic economic conditions. Lower beef production and higher prices will also help provide broiler integrators with an incentive to expand production. Turkey production in 2015 is expected to increase by 4 percent to 5.9 billion pounds after declining in 2014. Total egg production, is expected to reach 8.2 billion dozen in 2015, with both table egg and hatching egg production higher.

Poultry Trade: Turkey and egg and egg product shipments in March were up from a year ago, while Broiler exports were down. Broiler shipments totaled 628.7 million pounds in March 2014, a decrease of 3.4 percent from a year earlier. Egg shipments increased 7.3 percent from a year ago, totaling 28.0 million dozen, while turkey exports totaled 60.9 million pounds in March 2014, a 0.2-percent increase from the previous March.

Dairy: Milk production is expected to increase in 2015 compared with this year. Lower feed prices will improve the profit outlook for producers next year. Continued strong demand, both foreign and domestic, will moderate price declines in 2015.

Cattle/Beef: Drought Continues To Boost Cow Slaughter

Soil-moisture conditions in the Southern Plains have continued to deteriorate, and drought-affected areas appear to be expanding northward. As of May 8, 2014, the U.S. Drought Monitor still showed “Moderate” to “Exceptional” drought in an area that is home to roughly 37 percent of the domestic beef cow inventory: most of California, the Southwestern United States, and the Central and Southern Plains.

While the winter wheat crop in the Southern Plains continues to deteriorate, corn planting appears to be moving ahead at full speed. As of May 11, 2014, 59 percent of the U.S. corn crop had been planted—somewhat lagging the norm, but ahead of last year—on an anticipated 91.7 million acres. Projected prices received by farmers for marketing-year 2013/14 were recently projected at \$4.50 to \$4.80 per bushel compared with the 2012/13 marketing-year average of \$6.89.

Fewer cows are going to slaughter in 2014. However, cow slaughter has continued at a pace inconsistent with herd expansion and reflects continuing drought conditions and the escalating price of hay. Cumulative weekly federally inspected cow slaughter thus far in 2014 is about 9 percent lower than for the same period in 2013 but is occurring at a higher level than was anticipated before 2014 began.

Heifer Demand Increasing

Recently, heifer prices have shown relatively more strength than steer prices, likely due to competing demand from buyers for feedlot placements versus buyers for cow-herd building and to heifers’ potential for either placement in feedlots or retention for breeding stock. As anticipated retention of heifers for breeding stock increases, fewer heifers will be available for placement in feedlots, which, in addition to exerting upward pressure on prices, will lead to reduced cattle slaughter and reduced beef production later in 2014 and beyond. Signs of heifer retention have begun to appear. For example, USDA National Agricultural Statistics Service (NASS) Cattle on Feed report showed a 6 percent drop in heifers and heifer calves on feed on April 1 compared with last year at this time, while steers and steer calves were up 2 percent.

Supplies of feeder cattle outside feedlots declined just over 5 percent, year over year, on April 1. While the April 1 estimate is often a seasonal low for the year, the April 1, 2014, estimate is the lowest since 1996.

Consistent with the significant decline in feeder cattle supplies, steers and heifers on feed in 1,000-plus-head feedlots were down, but only slightly less than 1 percent. The 1-percent decrease consisted of 7.07 million steers and steer calves (up 2 percent from 2013) and 3.71 million heifer and heifer calves (down 6 percent from 2013). In addition, feeder cattle prices remain strong at near-record levels. However, the recent weakness in fed cattle prices will likely exert some downward pressure on feeder cattle prices.

In addition, estimated total federally inspected cattle slaughter has declined, down 6 percent so far this year compared with 2013. NASS Livestock Slaughter reported commercial slaughter of 2.45 million head in March, a decline of 5 percent from the

same-period last year. For the remainder of 2014, the steer portion of total cattle slaughter is expected to be a larger percentage of the total cattle slaughter mix as fewer heifers are placed on feed and as fewer cows are sold for slaughter. With more steers and fewer heifers and cows in the slaughter mix, dressed weights for all cattle could average higher for the foreseeable future. Already, the average dressed weight for all cattle was up slightly from last year's weights for the same period. Veal calves have also been heavier this year than last, averaging 277 pounds, live weight (NASS), up 25 pounds from last year, likely due to their recent significantly higher value as meat animals.

Wholesale cutout values in April 2014 appear to have moderated somewhat from their March peak. Retail Choice beef reached a record of \$5.72 per pound in March 2014. The demand for middle meats at present appears to be lagging the demand for lesser cuts and ground products. The extent to which retailers will feature the higher priced cuts to meet the season's grilling demand, which is almost upon us, remains to be seen.

Feeder Cattle Imports Strengthen from Canada

U.S. cattle imports totaled 599,392 head during the first quarter of 2014, up 2 percent from a year earlier. Imports rose from Canada (+9 percent) but fell from Mexico (-6 percent). While shipments of Canadian slaughter cattle fell 3 percent year over year, shipments of feeder cattle were stronger. Feeder cattle imports during the first quarter of 2014 increased 26 percent as high U.S. prices and a favorable exchange rate increased incentives for Canadian sellers. Demand for imported cattle is robust, with the U.S. cattle herd at its lowest point since 1951. Despite attractive U.S. prices, imports of Mexican cattle through March 2014 were 17,233 lower than last year. Mexican inventories have yet to recover from heavy herd liquidation over the past few years due to severe drought. Although shipments from Mexico typically reach a seasonal peak during the spring months, AMS weekly imports through May 3, 2014, totaled 375,920 head, 7 percent lower than 2013 and over 40 percent lower than 2012. The forecast for U.S. cattle imports in 2014 is unchanged at 1.97 million head. Cattle imports in 2015 are forecast at 2.0 million head, an annual increase of 2 percent. Although strong demand for cattle is expected to continue, low inventories across North America are expected to limit stronger growth in imports.

Beef Imports and Exports Higher in March

U.S. beef imports accelerated in March, increasing 13 percent from the previous March. In the first quarter of 2014, imports totaled 596 million pounds, 1 percent higher than the first quarter of 2013. Shipments have risen by the greatest volume from Canada (+12 percent) and Australia (+9 percent). The Canadian dollar averaged about 10 percent lower during the first 3 months of the year, making Canadian beef comparatively less expensive for U.S. buyers. The Australian dollar has also depreciated considerably against the U.S. dollar during the past year. Australian shipments to the United States have risen this year, although Australian beef production is expected to fall in 2014 due to lower cattle supplies after drought caused record-high cattle slaughter in 2013. The forecast for U.S. beef imports in 2014 is 2.396 billion pounds, an increase of 6 percent from 2013. Demand for imported beef is expected to strengthen as U.S. beef production is forecast to decline over 4 percent this year. Weekly cow slaughter through April 26 is down over 10 percent and will remain well below 2013 for the remainder of the year, increasing demand for imported processing beef. U.S. beef imports in 2015 are forecast at 2.445 billion pounds, 2 percent higher than 2014. Demand for imported beef will remain strong next year as U.S. beef production is expected lower.

U.S. beef exports during the first quarter of 2014 totaled 583 million pounds, an increase of 5 percent from 2013. Exports increased by the greatest volume to Mexico, Hong Kong, and Japan (see table 1). Although Japan's total imports of beef through March are consistent with year-earlier levels, imports of U.S. beef continue to displace Australian product despite higher prices this year for U.S. beef. High prices and a weaker Canadian dollar have taken their toll on U.S. exports to Canada. Exports during the first quarter of 2014 were 30 percent lower than a year earlier. The forecast for total U.S. beef exports in 2014 is 2.508 billion pounds, a decline of 3 percent from 2013. Demand in top markets for U.S. beef is expected to remain strong, although lower production is expected to limit growth in trade through 2015.

The forecast for exports in 2015 is 2.425 billion pounds, a decline of 3 percent from 2014.

U.S. Beef Exports

	Jan - Mar 2013 (mil. lbs.)	Jan - Mar 2014 (mil. lbs.)	Percent change
Japan	111.6	129.6	16%
Mexico	74.3	109.2	47%
Hong Kong	63.2	97.5	54%
Canada	117.9	82.4	-30%
South Korea	73.4	71.8	-2%
Taiw an	26.9	21.8	-19%
Other	90.1	70.6	-22%
Total	557.2	582.9	5%

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

Pork Production in 2015 Expected To Rebound

Pork production is expected to increase in 2015, as the U.S. pork industry leverages experience gained this year in treating Porcine Epidemic Diarrhea (PEDv). Pork production is expected to increase almost 3 percent next year, to 23.3 billion pounds. Increases derive from year-over-year larger farrowings, as producers respond to prospects of higher returns from continued strong hog prices and moderate feed costs. Litter rates are also expected to be a source of increased production next year as producers gain facility in managing the effects of the disease on new-born litters. Year-over-year increases in average dressed weights are expected to moderate in 2015, but to increase nonetheless, with gains expected to average about a pound and a half over those of 2014.

Expected-higher 2015 pork production will likely weigh on hog prices next year: average prices of live equivalent 51-52 percent lean hogs are expected to average \$70-\$76 per cwt. While this is about 6 percent below expected average prices this year, it is just shy of 13 percent above hog prices in 2013. Relatively strong hog prices next year, at the same time that pork production is expected to increase, will reflect a continued tight supply in the U.S. meat-animal complex (particularly of beef), as well as expected-solid export demand. U.S. pork exports next year are expected to be 5 billion pounds, 3.8 percent larger than forecast exports in 2014. U.S. consumers will likely pay somewhat less at retail for pork products next year. Retail prices will likely average in the high \$3.70s-low \$3.80s per pound, compared with an annual average this year in the low \$3.90s per pound, but still quite a bit higher than the 5-year average retail price of \$3.31 per pound.

First-Half 2014 Pork Production Showing Effects of PEDv

First-quarter 2014 pork production was 5.785 billion pounds, just slightly ahead of first quarter a year ago. While the effects of PEDv were apparent in the 2.6 percent year-over-year reduction in first-quarter commercial hog slaughter, sharply increased dressed weights, averaging 213.2 pounds per head, more than offset the reduction in the number of animals slaughtered, resulting in a 0.2 percent year-over-year production increase. Second-quarter pork production, forecast at almost 5.4 billion pounds, is expected to fall more than 2 percent below the same period last year. The expected reduction in second-quarter production reflects piglet losses from PEDv late last year. Second-quarter hog prices are expected to average \$84-\$86 per cwt, almost 30 percent above a year ago. For 2014, pork production is expected to be 22.7 billion pounds, 2.3 percent below 2013. Higher average dressed weights are expected to continue to limit production losses from reduced slaughter numbers this year.

First Quarter 2014 Exports Higher Than a Year Ago

March pork exports were more than 483 million pounds, almost 22 percent ahead of exports in March 2013. Exports were much stronger than expected, and may reflect foreign buying in anticipation of reduced summer pork supplies from PEDv. Total U.S. exports this year—forecast at 4.9 billion pounds—are expected to fall 2.8 percent below a year ago. The 10 largest foreign buyers of U.S. pork for both March and the first quarter of 2014 are listed below.

Shipments to 10 largest foreign buyers of U.S. pork: March and first quarter, 2014 and 2013

Country		2014 March	2013 March	Percent Change	2014 First quarter	2013 First quarter	Percent Change
		Million lbs.	Million lbs.		Million lbs.	Million lbs.	
World		483	397	21.7	1,345	1,218	10.4
1	Japan	120	118	1.3	329	343	-4.0
2	Mexico	107	75	43.0	343	266	28.6
3	China\Hong Kong	78	48	61.9	202	140	44.2
4	South Korea	47	27	71.0	118	100	18.3
5	Canada	46	52	-11.6	125	144	-13.4
6	Australia	22	18	23.6	60	53	13.7
7	Colombia	14	5	174.7	41	15	175.8
8	Philippines	14	8	64.4	26	26	0.5
9	Dominican Republic	6	4	46.5	13	11	20.1
10	Taiwan	5	4	37.2	8	10	-24.0

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>

Favorable Conditions for Poultry Expansion Expected for 2015

Three factors are expected to have a positive impact on poultry and egg production through 2015. First, during 2014/15, corn prices are forecast to average \$3.85-4.55 per bushel, down around 10 percent from the 2013/14 estimate and down 39 percent from the 2012/13 average of \$6.89 per bushel. Slightly smaller reductions are also forecast for soybean meal in 2013/14 and 2014/15 compared with their average of \$466 per ton in 2013. Second, while lower overall feed costs would lower production costs, projected increases in real per capita disposable income are expected to boost domestic demand for poultry products. The third positive factor in this forecast is continued strong prices for beef and pork products through 2015, making poultry products a relatively less expensive alternative.

Broiler Production Higher in 2015

U.S. broiler meat production is forecast to total 39.3 billion pounds in 2015, up 2.2 percent from 2014. The growth is expected to be spread throughout the year as integrators expand production in response to lower feed costs and generally better economic conditions and high prices for competing meats. The increase is expected to come from both a higher number of birds slaughtered and increases in average bird weights.

Broiler meat production in first-quarter 2014 totaled 9.28 billion pounds, an increase of 1.5 percent from the same period in 2013. The number of broilers slaughtered in the first quarter fell by 0.3 percent to 2.06 billion birds. However, this decline in birds slaughtered was offset by an increase in average live weights per bird at slaughter to almost 6 pounds, up 1.5 percent from a year earlier. The gain in average bird live weights is a long-term trend, with year-over-year average weights increasing since the mid-1970s.

The broiler meat production forecast for second-quarter 2014 is for 9.65 billion pounds, up 1.9 percent from a year earlier. Broiler production on a year-over-year basis is expected to continue to expand in the third and fourth quarters of 2014 as integrators gradually increase the number of birds produced for slaughter.

Over the last 5 weeks, (April 5 through May 3), the number of chicks being placed for growout has averaged slightly lower (less than 1 percent) than in the same period the previous year. However, in recent weeks the number of eggs placed in incubators has turned upward and has averaged just over 1 percent higher than the same period in 2013. The increase in eggs being incubated points toward small gains in broilers available for slaughter in the future, and in addition, continued growth in average bird weights is likely.

Broiler cold storage stocks totaled 561 million pounds at the end of first-quarter 2014, 8 percent lower than at the end of first-quarter 2013. The decrease was concentrated mostly in whole birds, breast meat, and wings, although cold storage holdings of leg quarters also declined. Cold storage holdings of wings declined the most from 2013, both in percentage and total pounds (down 26 percent and 20 million pounds); whole bird stocks were 11.1 million pounds (down 26 percent from the previous year); and leg quarter stocks totaled 102.8 million pounds (down

7 percent from the previous year and a large 50-million pound drop from the previous month). The large decline in cold storage holdings between the end of February and the end of March, combined with a production forecast of only moderate increases, was a major factor in the reduction of cold storage estimates for the remaining quarters in 2014. The estimate for ending stocks in second quarter was lowered from 665 to 580 million pounds, and the estimates for the third and fourth quarters were also reduced.

Some broiler parts prices in April were beginning to reflect the changes in their cold storage holdings, but most prices continue to be below those of the previous year. The only broiler prices higher than a year earlier were for whole birds and boneless/skinless breast meat, and even these categories were only modestly higher. Whole birds averaged \$1.10 per pound in April, 3 percent more than a year earlier, a small increase given the large decline in cold storage holdings. Prices for boneless/skinless (B/S) breast meat were 7 percent higher than the previous year at \$1.72 and were sharply higher (up 27 cents) from a month before. Although leg quarter stocks declined 7 percent from the previous year, prices are still well below the previous year (down 10 percent). Wing prices have risen 14 cents per pound since January, but the April average of \$1.42 per pound is still 5 percent lower than the previous year. All the prices for other leg meat products (B/S thigh, whole thighs, and drumsticks) were lower in April than a year earlier. With modest increases expected in broiler production and strong prices for beef and pork products, prices for broiler products are likely to be under upward pressure through the third quarter of 2014, but less so during fourth-quarter 2014 as stocks begin to increase and demand slows.

Turkey

Turkey meat production is expected to increase in 2015 by 4 percent from the previous year to 5.9 billion pounds. The increase is expected to be a combination of both more birds slaughtered and slightly higher average live weights at slaughter. With lower feed costs projected for 2015, turkey producers should have an incentive to increase production, especially as general economic indicators for the domestic economy are also expected to remain positive.

In first-quarter 2014, turkey meat production was 1.33 billion pounds, down 8.7 percent from first-quarter 2013. With that decline, turkey meat production has decreased on a year-over-year basis for the last four consecutive quarters. The decrease was the result of a small decline in average turkey weights at slaughter to 31.1 pounds, 0.7 percent lower than the same period in 2013. After rising strongly year-over-year in the first three quarters of 2013, average bird weights have now been below a year earlier in 4 of the last 5 months. However, the majority of the decrease in turkey meat production was due to a decline in the number of birds slaughtered; in first-quarter 2014, total slaughter was 53.7 million, down 8 percent from the same period in 2013.

Although poult placements had been lower on a year-over-year basis since December 2012, placements in March were 2.9 percent higher than the previous year and the forecast for turkey meat production in second-quarter 2014 was increased by 15 million pounds to 1.42 billion pounds, still 4.8 percent lower than in second-quarter 2013. While some gain in average live weights is anticipated, it is likely to be more than offset by a lower number of birds available for slaughter. The forecast for the second half of 2014 is for a production of 2.95 billion pounds, 3

percent higher than the same period in 2013, with production starting to expand strongly in fourth-quarter 2014.

Turkey Stocks Lower

With year-over-year decreases in turkey production over the last four quarters, turkey cold storage holdings have moved downward and have been below the previous year for the last 6 months. At the end of first-quarter 2014, turkey stocks were 336 million pounds, 16 percent lower than a year earlier. The decrease was the result of lower cold storage holdings in almost all of the categories reported. The only exception was a small increase in holdings of turkey products in the unclassified category. Lower stocks of whole birds (down 16 percent), turkey breast meat (down 24 percent), legs (down 57 percent), Mechanically Deboned Meat (MDM) (down 46 percent), and other turkey meat (down 25 percent) all contributed to the reduction in turkey cold storage holdings. Stocks of whole birds totaled 162 million pounds, with stocks of toms down 20 percent and stocks of hens down 8 percent from the previous year. Cold storage holdings are expected to remain below those of the previous year through the second and third quarters of 2014 but to increase by the end of the fourth quarter as production increases.

The decline in cold storage holdings has resulted in slightly higher wholesale prices for most turkey products. In April, prices for frozen whole hens averaged \$1.04 per pound, up 6 percent from the previous year. Prices for frozen whole hens have risen by 4 percent from the beginning of 2014, with prices of whole toms increasing 7 percent due to their sharper decline in stocks. Prices for most turkey products have been steady or increasing in first-quarter 2014 and with the exception of breast meat are considerably higher than a year earlier. Prices for breast meat averaged \$1.20 per pound in March (the latest prices available), down 2 percent from the previous year. However, prices for B/S breast meat averaged \$2.41 per pound in March, 68 percent higher than in March 2013. Prices for a number of other turkey products were also sharply higher, with prices for MDM, climbing to \$0.47 per pound, up 45 percent from a year earlier, and prices for drumsticks increasing to \$0.92 per pound, a gain of 45 percent.

Wholesale prices for frozen whole hen turkeys are expected to average \$1.03 - \$1.08 per pound in 2014, up about 6 percent from a year earlier. Lower production in the first half of the year and smaller stock levels are expected to contribute to upward price pressure during most of the year.

Egg Production Higher in 2015

Total egg production is expected at 8.2 billion dozen in 2015, a gain of 1.4 percent from the previous year. Table egg production is expected to total 7.07 billion dozen, 1.3 percent higher than in 2014. As with broilers and turkeys, egg production is expected to be boosted by lower feed costs and better general domestic economic conditions. The gain in production is expected to be steady throughout the year. This would be the 7th year in a row that table egg production has expanded. Egg producers are also expected to have had high enough prices in this year to have an incentive to expand production in 2015. The increase in production in 2015 is expected to come primarily from an increase in the size of the table egg flock.

Hatching egg production is expected to total 1.1 billion dozen in 2015, 3 percent higher than the previous year. The expansion in hatching egg production is largely based on the forecast for an expansion in broiler meat production in 2014 and into 2015.

Egg Production Higher in First-Quarter 2014

Egg production totaled 1.98 billion dozen in first-quarter 2014, up 1.8 percent from first-quarter 2013. The increase was due almost entirely to greater production of table eggs at 1.7 billion dozen, up 2 percent from the previous year with only a fractional increase in hatching egg production to 260 million dozen. Hatching egg production increased only fractionally in the first quarter, although the size of the broiler breeder flock averaged 2.4 percent higher.

Table egg production during the remainder of 2014 is expected to continue about 1 percent higher than the previous year. Production of hatching eggs is expected to be somewhat higher as broiler integrators move to increase the number of broiler chicks available for growout in the second half of the year.

Egg Prices Down in 2015

Better overall economic conditions in 2015 are expected to generate greater demand for shell eggs and egg products, especially from the food service sector. However, higher production is expected to offset the demand and leave overall wholesale egg prices in 2015 at \$1.22 to \$1.32 per dozen, down somewhat from the expected average price in 2014.

Wholesale egg prices in the New York market averaged \$1.43 per dozen for Grade A large eggs, during first-quarter 2014, 12 percent higher than a year earlier. Part of the increase in 2014 prices was due to a late Easter holiday. The price increases that normally precede the Easter holiday continue on through the end of the first quarter. Prices reached a high of \$1.75 per dozen in early April, and shortly after the Easter holiday prices had declined seasonally to \$1.23 per dozen by late April before increasing in early May. Prices for second-quarter 2014 are expected to average \$1.33 to \$1.37 per dozen, up about 25 cents from the previous year, and to average lower in third-quarter 2014.

U.S. Broiler Shipments Down in March

Broiler shipments in March 2014 decreased 3.4 percent from a year earlier, totaling 628.7 million pounds. Top export partners in March included Mexico, Russia, Angola, Cuba, and Turkey, with Mexico leading with 117.1 million pounds shipped in March. The second highest U.S. export market was Russia, with 37.0 million pounds shipped, followed by Angola with 36.6 million pounds. Cuba and Turkey finished fourth and fifth, with exports totaling 28.8 and 28.0 million pounds, respectively. USDA forecasts 7.531 billion pounds of broiler exports for 2014. USDA forecasts 7.625 billion pounds of broiler exports for 2015. This is the first month containing the 2015 forecast.

Turkey Shipments Up in March

Turkey shipments totaled 60.9 million pounds in March 2014, an increase of 0.2 percent from a year ago. The United States shipped 38.6 million pounds of turkey meat to Mexico in March 2014, an increase of 46.2 percent from a year earlier, accounting for over 63 percent of all shipments. The current forecast for 2014 exports is 713 million pounds. The initial 2015 USDA forecast is 750 million pounds.

Egg and Egg Product Shipments Rose in March

Egg and egg product shipments in March 2014 were up 7.3 percent from a year ago. On a shell egg basis, a total of 28.0 million dozen eggs were shipped. Mexico remains one of the largest destinations for U.S. egg and egg product exports, with 6.6 million dozen eggs shipped in March 2014, a 32.5-percent increase over March 2013, but Mexico was exceeded in March by Canada. Shipments to Canada were 7.3 million dozen eggs in March, an increase of 44.6 percent. The 2014 forecast on a shell egg basis is 310 million dozen. The initial 2015 forecast is 320 million dozen.

Prices Are Forecast Lower in 2015; However Continued Strong Demand Will Moderate Price Declines Despite Higher Domestic and International Milk Production

Feed prices are likely to remain moderate compared with recent years for the balance of 2013/14 and into 2014/15. Corn prices for 2013/14 are raised in May from April and forecast at \$4.50-\$4.80 per bushel; the price range was narrowed at the lower end, boosting the mid-point by 5 cents. Initial forecasts for the 2014/15 year call for corn prices to decline to \$3.85-\$4.55 per bushel. Current-year soybean meal price estimates are raised slightly from April to \$485 per ton. The initial 2014/15 soybean meal price forecast is much lower, at \$355-\$395 per ton. The forecast is based on higher soybean plantings and yields. April's *Agricultural Prices* report placed April's preliminary price for alfalfa hay at \$206 per ton, above March's \$191 price but below the April 2013 price of \$213 per ton.

April's Milk Production report shows the January-March 2014 U.S. milk production at 51.1 billion pounds, up 1 percent from the corresponding period last year. Cow numbers are forecast at 9.255 million head for 2014, unchanged from April and only slightly higher than 2013 levels. Forecast cow numbers for 2015 are for 9.34 million head. Prices for dairy replacements are ahead of year-earlier prices, and first-quarter dairy cow slaughter trails last year. However, this is a modest expansion in light of the strong profit signals to producers. Current-year output per cow also remains unchanged in May from April at 22,280 pounds per cow. Output per cow is projected at 22,710 pounds in 2015. Continued month-over-month declines in Midwestern milk output are moderated by higher milk output in the West. Increased output per cow reflects both improved producer returns and improved forage conditions, especially in the Midwest, after last year's poor-quality harvest. Total milk production is forecast at 206.1 billion pounds this year, climbing to 212.1 billion pounds in 2015. Milk production expansion to date appears to be coming mostly from increased output per cow rather than from herd expansion.

Current-year fats basis imports are lowered 3.4 billion pounds this month based on lower than anticipated first-quarter reported imports. Lower imports of food preparation items, and to a lesser extent cheese, account for the change. The lower import pace is expected to continue into 2015. Imports on a skims-solids basis are raised to 5.4 billion pounds for the year; again, the increased import forecast is based on higher than expected first-quarter imports. Imports of casein and whey offset lower imports of milk protein concentrates. Fats basis imports are forecast at 3.4 billion pounds for 2015, unchanged from 2014. Skims-solids basis imports for 2015 are forecast at 5.1 billion pounds.

Exports on both a fats and skims-solids basis were increased in May to 13.3 and 38.7 billion pounds, respectively, for 2014. Strong first quarter export totals on both a fats and skims-solids basis account for most of the projected increases. March export results indicated single-month record-high totals. Chinese imports of both whole milk powder and skim milk powder surged in the first quarter, especially in March. Although robust global demand is expected to support high exports in 2015, higher production from competitors will likely erode U.S. exports

next year. Fats basis exports are forecast to slip to 12.7 billion pounds in 2015, and skims-solids exports will also decline slightly to 38.6 billion pounds.

Fats basis ending stocks are expected to total 10.9 billion pounds by year-end. Fats basis ending stocks will likely climb to 12 billion pounds by the end of 2015. Skims-solids ending stocks were raised to 11.9 billion pounds in the May forecast for 2014 and are expected to end 2015 at 12.2 billion pounds. Continued robust international and domestic demand is expected to limit increases in stocks despite higher expected 2015 milk production.

For 2014, the price range for cheese is narrowed from April at \$1.995-\$2.025 per pound. Nonfat dry milk (NDM) prices have weakened in the face of foreign competition, and the forecast is lowered slightly to \$1.830-\$1.860 per pound as the upper end of the price range is lowered from April. In contrast, butter and whey prices are forecast higher at \$1.800-\$1.860 per pound, and to 63.0-65.0 cents per pound, respectively. The price increases are based on strong year-to-date demand for these products. The Class III price is bumped up slightly to \$20.55-\$20.85 per cwt as whey price strength more than offsets the cheese price. The Class IV price is raised to \$21.25-\$21.65 per cwt as butter price strength more than balances lower NDM prices. The all milk price for 2014 is projected at \$22.70-\$23.00 per cwt.

Cheese prices are lowered next year to \$1.670-\$1.770 per pound compared with this year's forecast. Higher milk production, both domestic and globally, is expected to soften prices from 2014 and into 2015. Likewise, butter prices are expected to slip to \$1.615-\$1.745 per pound in 2015. NDM prices are lowered to \$1.605-\$1.675 per pound. Whey prices are lowered to 55.0-58.0 cents per pound. The 2015 Class III milk price is forecast at \$16.90-\$17.90 per cwt and the Class IV milk price is forecast at \$18.55-\$19.65 per cwt. The 2015 all milk price is forecast at \$19.70-\$20.70 per cwt.

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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, 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-products/livestock-meat-domestic-data.aspx>, 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/ldpm-livestock-dairy-and-poultry-outlook.aspx>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>
Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>
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Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>
WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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U.S. red meat and poultry forecasts

	2011					2012					2013					2014					2015			
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual		
Production, million lb																								
Beef	6,410	6,559	6,736	6,490	26,195	6,282	6,473	6,586	6,572	25,913	6,175	6,513	6,609	6,423	25,720	5,868	6,315	6,310	6,070	24,563	5,795	24,315		
Pork	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,244	23,253	5,775	5,516	5,622	6,274	23,187	5,785	5,400	5,400	6,070	22,655	5,750	23,310		
Lamb and mutton	36	40	36	37	149	39	39	39	40	156	38	40	40	38	156	37	38	37	37	149	38	147		
Broilers	9,290	9,509	9,542	8,861	37,202	9,089	9,381	9,372	9,198	37,039	9,144	9,466	9,683	9,537	37,830	9,278	9,650	9,825	9,675	38,428	9,475	39,275		
Turkeys	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,459	1,486	1,440	1,420	5,805	1,332	1,415	1,450	1,500	5,697	1,400	5,925		
Total red meat & poultry	23,011	23,114	23,395	23,226	92,746	22,865	23,084	23,274	23,739	92,963	22,743	23,183	23,563	23,844	93,333	22,450	22,983	23,187	23,508	92,128	22,608	93,617		
Table eggs, mil. doz.	1,625	1,634	1,647	1,693	6,598	1,666	1,661	1,685	1,741	6,754	1,686	1,698	1,725	1,773	6,882	1,720	1,730	1,740	1,790	6,980	1,735	7,070		
Per capita disappearance, retail lb 2/																								
Beef	14.1	14.5	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	13.7	14.5	14.3	13.9	56.4	13.1	13.8	13.9	13.2	54.0	12.8	53.2		
Pork	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.5	11.3	11.4	12.7	46.8	11.3	10.9	11.1	12.4	45.8	11.1	46.2		
Lamb and mutton	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.3	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.9	0.2	0.9		
Broilers	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.0	20.3	21.0	20.5	81.9	20.2	20.8	20.9	20.7	82.6	20.2	83.8		
Turkeys	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.8	16.0	3.4	3.4	4.0	4.8	15.7	3.3	16		
Total red meat & poultry	51.2	51.3	51.0	51.0	204.6	49.3	50.3	50.7	52.0	202.3	49.5	50.2	51.3	52.4	203.5	48.7	49.6	50.6	51.7	200.5	48	201.7		
Eggs, number	61.1	61.2	62.2	63.4	247.9	62.6	61.5	62.5	64.2	250.8	62.6	61.7	62.9	64.2	251.3	62.8	63.5	64.0	65.7	256.0	63.1	257.1		
Market prices																								
Choice steers, 5-area Direct, \$/cwt	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125.52	124.95	122.3	130.77	125.89	146.34	144-148	140-148	142-154	143-149	146-158	145-157		
Feeder steers, Ok City, \$/cwt	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	141.36	133.10	152.08	161.69	147.06	167.49	176-180	167-175	168-180	170-176	164-176	163-175		
Cutter Cows, National L.E., \$/cwt	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	77.87	77.46	78.36	76.55	77.56	89.12	96-100	88-96	84-96	89-95	88-100	88-100		
Choice slaughter lambs, San Angelo, \$/cwt	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	107.53	91.72	94.26	150.97	112.12	166.69	151-155	151-159	144-156	153-159	144-156	147-159		
Barrows & gilts, N. base, l.e. \$/cwt	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	59.03	65.46	70.59	61.11	64.05	68.69	84-86	82-88	70-76	76-80	68-74	70-76		
Broilers, 12 City, cents/lb	80.20	83.00	78.20	78.00	79.90	87.40	85.1	82	92.1	86.6	103.5	108.6	93.90	92.80	99.70	98.4	108-112	100-106	98-106	101-106	100-108	100-108		
Turkeys, Eastern, cents/lb	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	96	97.7	99.9	105.40	99.80	100.7	103-107	104-110	106-114	103-108	98-106	102-111		
Eggs, New York, cents/doz.	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	126.9	109.9	119.0	143.00	124.70	142.7	133-137	114-122	127-137	129-135	130-140	122-132		
U.S. trade, million lb																								
Beef & veal exports	633	702	766	683	2,785	558	625	650	620	2,453	557	631	716	679	2,583	583	630	660	635	2,508	550	2,425		
Beef & veal imports	461	593	548	454	2,057	582	669	516	453	2,220	590	628	516	516	2,250	596	660	595	545	2,396	615	2,445		
Lamb and mutton imports	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	38	37	40	161	47	166		
Pork exports	1,248	1,201	1,260	1,481	5,190	1,442	1,301	1,251	1,386	5,381	1,218	1,226	1,205	1,343	4,992	1,345	1,190	1,065	1,250	4,850	1,255	5,035		
Pork imports	201	195	194	213	803	207	191	198	205	802	207	210	229	233	879	212	220	240	240	912	230	890		
Broiler exports	1,526	1,588	1,976	1,878	6,968	1,734	1,790	1,864	1,886	7,274	1,759	1,876	1,856	1,873	7,364	1,831	1,850	1,975	1,875	7,531	1,875	7,625		
Turkey exports	159	171	173	199	702	181	185	216	217	798	178	182	197	201	758	163	175	185	190	713	180	750		
Live swine imports (thousand head)	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,301	1,255	1,076	4,958	1,196	1,185	1,185	1,185	4,751	1,175	4,700		

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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Updated 5/15/2014

Dairy Forecasts

	2013					2014					2015	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	N/A	N/A	9,224	9,201	9,221	9,215	9,240	9,270	9,285	9,255	9,300	9,340
Milk per cow (pounds)	N/A	N/A	5,356	5,355	21,822	5,541	5,720	5,490	5,530	22,280	5,650	22,710
Milk production (bil. pounds)	50.5	52.0	49.4	49.3	201.2	51.1	52.9	50.9	51.3	206.1	52.5	212.1
Farm use	0.2	0.2	0.2	0.2	1.0	2.0	2.0	2.0	2.0	1.0	0.2	1.0
Milk marketings	50.3	51.8	49.2	49.0	200.2	50.8	52.6	50.6	51.1	205.2	52.3	211.1
Milkfat (bil. pounds milk equiv.)												
Milk marketings	50.3	51.8	49.2	49.0	200.2	50.8	52.6	50.6	51.1	205.2	52.3	211.1
Beginning commercial stocks	12.2	15.1	16.9	14.3	12.2	11.2	12.7	13.9	12.5	11.2	10.9	10.9
Imports	1.1	0.9	0.9	0.9	3.7	0.8	0.8	0.8	1.0	3.4	0.8	3.4
Total supply	63.6	67.8	66.9	64.3	216.2	62.8	66.1	65.3	64.6	219.8	64.0	225.4
Commercial exports	2.4	3.0	3.7	3.4	12.4	3.9	3.7	3.1	2.7	13.3	3.4	12.7
Ending commercial stocks	15.1	16.9	14.3	11.2	11.2	12.7	13.9	12.5	10.9	10.9	13.0	12.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	46.1	47.9	48.9	49.6	192.6	46.3	48.5	49.7	51.0	195.5	47.7	200.7
Skim solids (bil. pounds milk equiv.)												
Milk marketings	50.3	51.8	49.2	49.0	200.2	50.8	52.6	50.6	51.1	205.2	52.3	211.1
Beginning commercial stocks	12.4	13.6	14.2	12.4	12.4	11.7	12.6	12.7	12.0	11.7	11.9	11.9
Imports	1.5	1.2	1.1	1.5	5.3	1.4	1.4	1.3	1.4	5.4	1.3	5.1
Total supply	64.2	66.6	64.4	62.9	217.9	63.9	66.6	64.6	64.5	222.2	65.5	228.1
Commercial exports	8.3	10.6	10.4	9.3	38.6	9.8	9.9	9.7	9.2	38.7	9.5	38.6
Ending commercial stocks	13.6	14.2	12.4	11.7	11.7	12.6	12.7	12.0	11.9	11.9	12.4	12.2
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.3	41.8	41.7	41.9	167.7	41.4	43.9	43.0	43.3	171.7	43.6	177.4
Milk prices (dol./cwt) 1/												
All milk	19.53	19.57	19.60	21.50	20.05	24.53	24.40	21.30	20.20	22.70	20.35	19.70
							-24.70	-21.90	-21.10	-23.00	-21.35	-20.70
Class III	17.44	18.04	17.81	18.67	17.99	22.61	22.70	18.95	17.65	20.55	16.40	16.90
							-23.00	-19.55	-18.55	-20.85	-17.40	-17.90
Class IV	17.71	18.62	19.13	20.74	19.05	23.10	22.70	20.30	18.60	21.25	17.60	18.55
							-23.10	-21.00	-19.60	-21.65	-18.70	-19.65
Product prices (dol./pound) 2/												
Cheddar cheese	1.686	1.780	1.761	1.847	1.768	2.213	2.190	1.835	1.705	1.995	1.620	1.670
							-2.220	-1.895	-1.795	-2.025	-1.720	-1.770
Dry whey	0.632	0.575	0.579	0.576	0.590	0.630	0.660	0.615	0.605	0.630	0.545	0.550
							-0.680	-0.645	-0.635	-0.650	-0.575	-0.580
Butter	1.555	1.622	1.438	1.566	1.545	1.779	1.920	1.805	1.690	1.800	1.585	1.615
							-1.980	-1.895	-1.810	-1.860	-1.715	-1.745
Nonfat dry milk	1.546	1.619	1.769	1.893	1.707	2.067	1.940	1.720	1.575	1.830	1.515	1.605
							-1.970	-1.770	-1.645	-1.860	-1.585	-1.675

1/ Starting in May 2013, contains no data updates or analysis on milk cows or milk output per cow. Milk cows and milk per cow reporting was resumed in November 2013.

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

3/ 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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