USDA
United States Department of Agriculture

LDP-M-203

May 17, 2011

Outlook

A Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

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Tables will be released on May 24, 2011

The next newsletter release is Jun 15, 2011

Approved by the World Agricultural Outlook Board

Beef/Cattle: Weather-related events are affecting cattle and beef sectors across the board. Cool wet weather in major corn-producing areas has resulted in decreased demand for grilling cuts and has hampered field crop work, raising concerns about future feed prices. Drought and fires have reduced the availability of pasture in areas of the Southern and Southwestern United States, contributing to continued high rates of cow slaughter.

Beef/Cattle Trade: U.S. beef exports for 2011 are forecast at 2.48 billion pounds, 8-percent growth above 2010. First-quarter exports were 32 percent above year-earlier levels. Much of this year's export growth continues to stem from U.S. beef export markets in Asia. The U.S. beef import market continues to be hampered by the weak U.S. dollar, as total first-quarter imports were 19 percent below year-earlier levels.

Pork/Hogs: Record-high hog prices are expected to more than offset sharply higher feed costs in 2011. Forecasts for 2012 show a 1.4-percent increase in commercial pork production and little change in average hog prices. Pork exports in 2012 are expected to increase about 2 percent, and retail pork prices will likely average in the high $3.20s to low $3.30s per pound. March 2011 pork exports were record-high at almost 491 million pounds, an increase of almost 33 percent compared with the same period last year.

Poultry: Broiler production is expected to increase about 2 percent in 2012, after an increase of 1.4 percent in 2011. With expected economic conditions gradually improving, a forecast of continued high feed costs, and strong beef and pork prices, broiler integrators are expected to have an incentive to expand production. Turkey production in 2012 is also expected to be higher, up 1.5 percent. This is the second consecutive year of production increases after declines in 2009 and 2010. Egg production is expected to be mixed in 2012, with table egg production declining slightly and hatching egg production higher.

Dairy: High feed prices, both this year and next, will pressure producer profits. Cow numbers will show a slight decline into 2012, but higher milk output per cow will continue to boost production in both the current year and next year. Exports of all products will serve to keep dairy prices relatively high, but declines in product prices and the all milk prices from 2011 are forecast for 2012.

Beef/Cattle

Weather Events Affect Cattle Markets

A variety of weather events have affected livestock and meat production at all levels. Floods and wet, cold spring weather in the North Central region and mid-Mississippi River drainage areas have slowed corn planting and other field activities, raising concerns about availability and prices of feed grains in 2012. The cold weather has also adversely affected meat demand for outdoor grilling. Continued drought across the South and Southwest has affected pastures and is at least partially responsible for an increase in beef cow slaughter. Fires fueled by high winds have also devastated some southern rangelands.

As a result of these weather-related events affecting beef cow herds and after a brief pause, weekly federally inspected total cow slaughter has increased again at rates generally 1 to 2 percent above rates for the corresponding weeks last year, for at least the 5 weeks through April 23. Slaughter for the week ending April 30 was down by almost 3 percent. These slaughter rates likely reflect an about-face with respect to any plans for cow herd expansion in the southern tier of States most affected by the drought. Other parts of the country, notably the Northern Plains and Rocky Mountain regions, are beginning to exhibit signs of heifer retention for cow herd expansion. Weekly federally inspected dairy cow slaughter, on the other hand, has continued its relatively high ongoing rate in the 2-to-5-percent range.

While demonstrating some weakness in concert with fed cattle and beef prices, feeder cattle prices have not declined as much as prices in other cattle/beef sectors. This relative strength in feeder cattle markets reflects the growing scarcity of feeder cattle, especially heavier weight, older calves and yearlings. Recent weakness in lighter weight feeder cattle prices likely reflects the uncertainty about pasture available for grazing in the Southern Plains this summer—or a known lack of pasture—due to drought and fires, in addition to the prospect for much higher feeding costs the remainder of the current corn-marketing year.

The decline in feeder cattle prices has contributed to the recent declines in fed cattle prices. Fed cattle prices declined sharply during late April and early May. Five-area steer prices, all grades, have declined almost 7 percent from their weekly high of $123.16 for the week ending April 9.

Wholesale Choice beef cutout values have also declined 6 percent from their weekly peak during the week ending April 9. Meatpackers have wrestled with shrinking and erratic margins due to the recent high prices they have had to pay for fed cattle and to declining retail demand. This has been especially true for middle-cut meats. As a result, kill levels have tended to bounce around. Relatively high byproduct values have bolstered packer margins.

Demand for middle cuts at retail has declined, likely due to the dampening effect the cool weather has had on outdoor grilling and the effects of escalating fuel prices on household budgets. The dampening effect of cool wet weather so far this spring is likely a factor in the decline in demand for beef in general, but especially for steaks and higher end cuts. Demand for ground products has also softened, in part due to the decline in grilling demand. If fuel prices increase much above current levels, household budgets are likely to be reevaluated, and demand for high-priced meat cuts could suffer further as a result.

Beef/Cattle Trade

For U.S Beef Exports and Imports, Same Song for Remainder of 2011 as in First Quarter

U.S. beef exports for 2011 are forecast at 2.48 billion pounds, 8-percent growth above 2010. First-quarter exports were 32 percent above year-earlier levels. Exports in the second quarter are expected to be about 11 percent higher year-over-year. Growth is expected to taper in the third quarter and should fall below year-earlier levels in the fourth quarter as U.S. beef supplies continue to become tighter. Much of this year's export growth continues to stem from U.S. beef export markets in Asia. First-quarter exports to South Korea and Japan were 194 and 63 percent higher than in 2010, respectively, and exports to Hong Kong were 64 percent higher. U.S. beef exports to Taiwan and Vietnam thus far in the year have been below year-earlier levels—for Taiwan, due to increased inspections in that country for specific meat residues. First-quarter U.S. beef exports to Russia have been also been strong for the beginning of a year—27 percent above 2010 levels during the same period. U.S. beef exports for 2012 are forecast at 2.45 billion pounds, only fractionally lower than the current year's forecast. Although total U.S. beef supplies will be about 4 percent lower in 2012, strong international demand for beef is expected to maintain elevated U.S. beef export levels.

As the weak U.S. dollar has inherently aided the U.S. exports, the U.S. beef import market has continued to be hampered by the exchange rate. The U.S. dollar posted new lows against the Australian dollar, dipping to .91 AUD/USD in early May. The U.S. dollar hit a low against the New Zealand dollar not seen since Spring 2008. U.S. beef imports from Australia through the first quarter of this year were 35 percent below year-earlier levels. Imports from New Zealand were not as reduced, at 4 percent below 2010. Total first-quarter imports were 19 percent below year-earlier levels, as, notably, Canadian imports were also 28 percent lower. Typically, Australia and Canada have vied as the top beef exporters to the United States. Canadian cattle inventories are also lower, and the U.S. dollar has been below parity to the Canadian dollar since the beginning of 2011. Total 2011 U.S. beef imports are forecast at 2.18 billion pounds; 2012 beef imports are forecast at 2.48 billion pounds.

U.S. Cattle Imports from Mexico Higher, but Down from Canada

The increase in Mexican cattle imports thus far in the year is being offset by the decline in Canadian cattle imports. Through March, imports of Mexican cattle were 35 percent higher year-over-year, but imports of Canadian cattle were just over 35 percent below year-earlier levels for the quarter. The largest impediment to higher Canadian cattle imports, beside a lower Canadian cattle inventory, is a lower U.S.-Canadian slaughter cattle price differential, also a function of the higher exchange rate between the U.S. and Canadian dollars. The U.S.-Canadian slaughter steer price differential (5-Area, all grades vs. Alberta, mostly select 1-2) has remained well below the 5-year average thus far in the year and has yet even to match the price differential levels of 2010. Conversely, the spread between U.S. and Mexican feeder cattle prices (Las Cruces imported feeders vs. live grass-fed Mexico city steers) has continued to widen, a trend beginning in January 2010, but noticeably increasing since the Fall of 2010.

The North American Drought Monitor also classifies almost the entire region of Northern Mexico as experiencing extreme to severe drought as of March 31, 2011. Imported Mexican cattle are mainly entering U.S. feedlots directly, not surprising given the extension of drought conditions into Texas and surrounding States and U.S. feeder cattle demand.

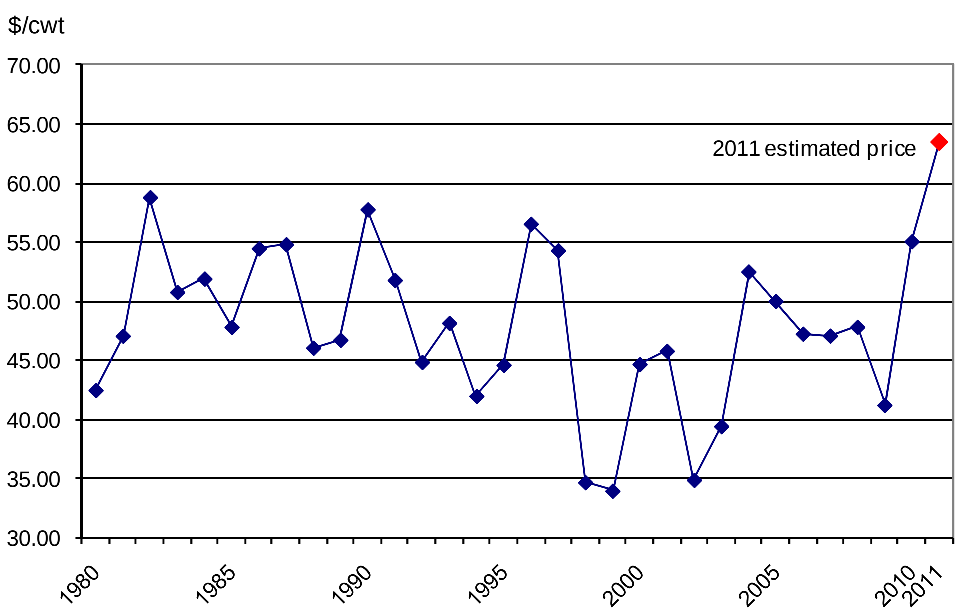
Higher Average Dressed Weights Partially Offset Lower April Hog Slaughter

USDA lowered its second-quarter pork production forecast slightly, due to a lower-than-expected hog slaughter in April. It is notable however, that the lower April slaughter number was largely offset by higher-than-expected average dressed weights. Average dressed weights continue to run ahead of a year earlier, despite sharply higher feed costs, suggesting that the market is rewarding producers for marketing heavier hogs. This contention is supported by USDA 2011 price forecasts for corn, soybean meal, and live hogs that together indicate positive hog feeding margins for all quarters of 2011.

Positive Feeding Margins Are a Result of Record-High Hog Prices

Positive feeding margins for hogs suggest that hog prices have increased faster than feed costs. This is a somewhat surprising contention, given that the average 2011 farm price of corn is expected to increase almost 52 percent over its average price in 2010. But, as the figure below indicates, hog prices have increased sharply since 2009 and are expected to achieve a record high in 2011. Hog prices are expected to increase more than 15 percent this year compared with 2010, after having increased almost 34 percent in 2010.

Live equivalent price of 51-52% lean hogs, 1980-2011



Source: USDA/ERS, http://www.ers.usda.gov/Data/MeatPriceSpreads/

Record-high 2011 hog prices are the consequence of modest-growth supplies and stronger demand. Pork production in the United States peaked in 2008 at more than 23.3 billion pounds. Also, in 2008, U.S. pork exports were record-high at 4.7 billion pounds. While 2011 production is forecast at 22.6 billion pounds, up almost 1 percent from a year ago, it remains below its peak. U.S. pork exports for 2011, however, are forecast at 4.7 billion pounds—equal to 2008, and well above 2010. Consequently, U.S. consumers are expected to consume almost 2 percent less in 2011, on a per capita retail weight basis, compared with 2010. With the U.S. economic recovery slowly under way, retail price data suggest that U.S. consumers are willing to pay higher prices for slightly smaller 'disappearance' quantities of pork products. Retail pork price data show that first-quarter 2011 retail pork prices were 13.4 percent higher than a year earlier. Along the entire pork supply chain, small gains in pork production have combined with strong foreign demand and robust domestic pork demand. Modest growth in supplies and strong demand are translating into hog prices high enough to leave producers with money in their pockets to cover other production costs, even after paying sharply higher feed costs.

Hog/pork Forecasts for 2012 Appear in the WASDE

USDA's pork supply and utilization forecasts for 2012 show modest production increases (+1.4 percent) and little change in hog prices compared with 2011. The level of U.S. pork exports is expected to remain elevated, but the rate of increase is likely to moderate to about 2 percent from 2011. In 2012, domestic 'disappearance' next year is expected to be 60.5 pounds per person, compared with 60.3 pounds this year. Retail prices in 2012 are expected to back off slightly from prices this year and to average in the high \$3.20s to low \$3.30s per pound.

Exports Record High in March

March pork exports were almost 491 million pounds, the highest quantity of U.S. pork products ever exported in one month. March exports were almost 33 percent higher than a year earlier, with the five largest destination countries being Japan, Mexico, South Korea, Canada, and China. First-quarter U.S. pork exports were more than 1.24 billion pounds, 19.2 percent larger than in the same period last year. A listing of the 10 largest foreign destinations for exported U.S. pork products follows.

First-quarter 2011 U.S. exports to 10 largest foreign destinations

	Country	2011Q1	2010Q1	% change
	World	1,247,143,151	1,046,625,341	19.2
1	Japan	363,668,150	302,267,940	20.3
2	Mexico	269,223,871	268,343,475	0.3
3	S. Korea	172,431,297	58,463,552	194.9
4	Canada	105,985,983	104,930,239	1.0
5	China	83,009,274	1,884,528	4304.8
6	Australia	54,961,470	40,641,523	35.2
7	Hong Kong	30,451,139	90,529,853	-66.4
8	Russia	29,959,867	238,043	12485.9
9	Philippines	29,113,312	46,392,041	-37.2
10	Honduras	17,346,346	15,185,600	14.2

Source: USDA/ERS, http://www.ers.usda.gov/data/meattrade/

As the listing indicates, Japan remains the most important foreign destination, with quarterly exports increasing more than 20 percent year-over-year. The increase is most likely due, in part, to the very strong exchange-rate value of the Japanese yen vis-à-vis the U.S. dollar during the quarter. The yen's value probably helped to partially offset higher U.S. pork prices. The dramatic increase in South Korean demand for U.S. pork is due to recent FMD outbreaks in that country's swine sector, as well as to relaxation of import restrictions following the outbreaks. U.S. exports to South Korea are expected to abate later this year as domestic production begins to rebound. While exports to China increased significantly in the first quarter, it is worth noting that concurrent reductions in shipments to Hong Kong offset almost three-quarters of that increase.

Exports in 2012 are expected to be about 4.8 billion pounds, an increase of about 2 percent. As in the past, most of the export growth next year is expected to come from Asia.

First-quarter pork imports were 201 million pounds, about 1 percent ahead of the first quarter of 2010. Canada accounted for 78 percent of U.S. imports compared with 81 percent last year. Smaller exporting countries—Mexico, the U.K, Ireland, and the Netherlands--appear to have picked up shares of the U.S. import market, at Canada's expense. First-quarter shipments from Canada to the United States were 156 million pounds, down 2.5 percent from the same period last year. Denmark accounted for 10 percent of U.S. imports in the first quarter, the same as in the same period of 2010. U.S. imports from Denmark were almost 21 million pounds, up 5.8 percent from last year. In 2012, imports are expected to be roughly the same as in 2011, or about 895 million pounds.

The United States imported 1.452 million head of swine in the first quarter of this year, about the same as last year. Almost all imported swine come from Canada. The 'mix' of animals imported in the first quarter differed somewhat from last year, with year-over-year increases in segregated early-weaned animals and breeding animals. Imports of feeder pigs weighing 7 kilograms and higher and slaughter hogs were lower in the first quarter compared with last year. Swine imports from Canada in 2012 are expected to be slightly higher than this year. The modest expected increase is largely due to indications that the Canadian swine sector's deep contraction might be bottoming out. Statistics Canada reported in April that the breeding herd of a major producing/exporting province, Ontario, had expanded strongly as of April 1st (6.7 percent) after having increased modestly in January (0.88 percent). Before January 2011, Ontario's breeding herd had declined in every quarter since April 2005. Ontario pork producers have also stated intentions to increase farrowings, year-over-year, in the April-June and July-September quarters of this year.

Poultry

Broiler Production Higher in 2012

U.S. broiler meat production is expected to total 38.1 billion pounds in 2012, up 2 percent from 2011, with the expansion concentrated mostly in the second half of the year. Gains in broiler meat production are expected to come from a combination of more birds slaughtered and continuing increases in average bird weights at slaughter. Average bird weights, which rose rapidly at the end of 2010, have continued higher through first-quarter 2011 and are expected to continue rising through the rest of 2011 and into 2012. However, the year-to-year growth in bird weights is expected to be considerably lower in 2012 than in 2011. One factor needed for expanded broiler meat production in 2012 is the continued strengthening of the general economy, including a gradual decline in the unemployment rate. A second factor likely to influence any decision by integrators to expand is the corn and soybean meal price forecast for 2011/2012. Feed prices are expected to continue at very high levels.

Broiler meat production for first-quarter 2011 was reported at 9.3 billion pounds, up 6.4 percent from the same period in 2010. The number of broilers slaughtered rose 3 percent to 2.1 billion birds. Equally important to the increase was the 2.8-percent gain in the average weight of broilers at slaughter (5.79 pounds). A substantial portion of the broiler meat production increase in first-quarter 2011 is attributable to the fact that first-quarter 2011 had an additional processing day compared with first-quarter 2010.

The meat production estimate for second-quarter 2011was reduced by 45 million pounds, as increases in weights in the later part of the first quarter were lower than expected. The broiler meat production forecast was also reduced slightly, due in part to the destruction of a number of growout barns by tornadoes in late April, especially in Alabama. The tornadoes also created short-term disruptions at a number of processing plants.

Over the last 5 weeks (April 9 through May 7), the number of chicks being placed for growout has averaged 1.3 percent higher than in the same period in 2010. In addition, the number of eggs placed in incubators has also been unchanged from the same period in 2010. These estimates point toward an expected increase in meat production in second-quarter 2011 that will come mostly from higher bird weights, with only a small increase in the number of birds grown.

Broiler cold storage stocks totaled 660 million pounds at the end of first-quarter 2011, up 11 percent from a year earlier. Most of the increase is attributable to the strong increase in broiler meat production in the first quarter. With broiler meat production forecast to be higher in second-quarter 2011, stocks of broiler products are expected to expand again through the middle of the year. Although lower than first-quarter levels, in the second half of 2011, stocks are expected to be higher on a year-over-year basis as lower exports are partially offset by lower production.

Since the end of 2010, cold storage holdings of broiler products have fallen by 15 percent. Most of the decline was due to smaller cold storage holdings of leg meat products. Holdings of drumsticks, leg quarters, legs, thighs, and thigh meat were all down at least 11 percent, and stocks of thighs and thigh meat were down 32 and 48 percent, respectively. These changes in stocks of leg meat products have been reflected in upward price movements for these products at the wholesale level in first-quarter 2011.

The 12-city wholesale price for whole broilers is expected to average 82 and 86 cents per pound for 2011, slightly higher than in 2010, but an increase of about 9 percent from 2009, when it averaged 77.6 cents per pound. Prices in 2011 are expected to be lower than the previous year through the first half of the year, but to move higher in the second half. With expected higher production in 2012, prices are expected to be stronger in the first half of the year, but moderate in the second-half, leaving the annual price only slightly higher than a year earlier.

Broiler exports in 2012 are expected to total 6.7 billion pounds, up 4.7 percent from the 2011 forecast, and are expected to be spread relatively evenly throughout the year. Broiler exports are expected to benefit from strong prices for beef and pork products as consumers look for the lowest priced proteins. The expansion will depend on economic growth rates in various areas of the world. With generally expanding economic conditions, U.S. broiler exports are expected to increase to a number of regions.

In first-quarter 2011, broiler exports totaled 1.53 billion pounds, 3 percent higher than in the same period in 2010. Much of the growth was from higher shipments to Asian countries such as Korea, Hong Kong, and Japan. While exports were higher to many Asian countries, smaller shipments to both Russia and China partially offset them. The lower shipments to Russia were expected, as over the last several years Russia has been lowering the quota on the amount of imported poultry meat allowed into the country as an incentive for domestic poultry production expansion.

Other Chicken

Other chicken meat production is expected to reach 515 million pounds in 2012, up about 4 percent from the previous year. Production is expected to increase during much of the year before declining toward the end of the year. Other chicken exports are expected to total 90 million pounds in 2012, only slightly higher than the previous year. Other chicken meat production in 2012 will be dependent on decisions by broiler integrators and egg producers to expand or contract production. With small increases expected in both production and exports, per capita other chicken disappearance is estimated at 1.4 pounds, up from 2011, but about the same as 2010.

Turkey

Turkey meat production is expected to increase in 2012 to 5.8 billion pounds, up about 2 percent from the previous year. The increase is expected to be a combination of both an increase in the number of birds slaughtered and higher average live weights of these birds at slaughter. Turkey meat production is expected to show some increase throughout the year.

With higher prices throughout 2010 and also expected in 2011, turkey producers should have considerable incentive to increase production in 2012 as long as the general economic indicators remain positive.

In first-quarter 2011, turkey meat production was 1.4 billion pounds, up 4.7 percent from the first quarter of 2010. After being below a year earlier for 7 consecutive quarters between first-quarter 2009 and third-quarter 2010, turkey production has now risen for two quarters in a row on a year-over-year basis. The production increase was the result of more birds slaughtered (up 3.6 percent) and higher average weights at slaughter (up 1.1 percent). Higher turkey prices throughout 2010 provided turkey producers an incentive to increase production. The production estimates for the third and fourth quarters of 2011 were both increased by 25 million pounds. Even with the increase, fourth-quarter 2011 production is expected to be down somewhat from the previous year.

Turkey Stocks Lower

Even with higher production in fourth-quarter 2010 and first-quarter 2011, turkey stocks at the end of first-quarter 2011 were still considerably lower than the previous year, down 13 percent to 331 million pounds. This decline was a combination of lower stocks of both whole birds, down 9 percent, and turkey parts and products, down 15 percent. Stocks of whole birds and parts have now been below previous-year quantities for 19 consecutive months. Stocks in 2011 are expected to remain lower than the previous year through the end of the second quarter, but gains in production are expected to move stock levels higher in the second half of 2011. Higher prices for whole birds and turkey parts are expected to reduce demand in the export market and ending stocks in 2012 are expected to be somewhat higher, although domestic demand is expected to remain strong due to higher prices for most red meat products.

Wholesale prices for whole hen turkeys are expected to average $0.97 and $1.01 per pound for 2011, up about 10 percent from a year earlier. With low beginning stocks and only a small increase in production expected in 2011, whole bird prices are expected to remain above the previous year throughout 2011, although the gap on a year-over-year basis is expected to narrow considerably as the year progresses. In 2012, any upward pressure on prices from an improving domestic economy and higher export demand is expected to be offset by higher production and increasing stock levels in the second half of the year.

After increasing strongly in 2011, turkey exports in 2012 are forecast to total 600 million pounds in 2012, down 2 percent from the previous year. The export reduction is expected to be due to continued strength in turkey prices, brought on by relatively low stock levels. The strength of the Mexican economy and relative prices between beef and pork and lower-priced alternatives will be a major determinant of turkey exports in 2012.

In first-quarter 2011, turkey exports were 160 million pounds, up 41 percent from a year earlier. The majority of the increase came from a 42-percent increase in shipments to Mexico, from 24 million pounds in 2010 to 32 million pounds in 2011. Shipments of turkey products also rose sharply to China and Hong Kong.

Egg Production Down Slightly in 2012

Table egg production is expected to total 6.6 billion dozen in 2012, down slightly (less than 1 percent) from 2011. While 2012 is expected to have improving economic conditions and higher prices for many red meat products, egg producers – after production increases in 2010 and 2011 – are not expected to have the consistently higher prices they need as an incentive to expand production until late in the year. While the rate of lay is expected to increase very gradually, the decrease in production is expected to come from a reduction in the size of the laying flock.

Hatching egg production is expected to total 1.1 billion dozen in 2012, an increase of 4.5 percent from 2011. The expansion in hatching egg production is dependent on the growth in broiler production, as the majority of hatching egg output is for broiler chick production.

Egg Production Higher in First Quarter 2011

Table egg production totaled just over 1.6 billion dozen in first-quarter 2011, up about 1 percent from the previous year. The average number of birds in the table egg flock in first-quarter 2011 was marginally lower than the previous year, but the rate of lay for table egg hens in first-quarter 2011 was up 1 percent. Table egg production for the rest of 2011 is expected to continue slightly higher than the previous year. Production of hatching eggs in first-quarter 2011 was 262 million dozen, down 2 million dozen, or almost 1 percent, from the previous year. Hatching egg production is expected to remain below the previous year during the remaining three quarters of 2011, as broiler production is expected to be lower in the second half of the year.

Egg Prices Higher in 2012

Improved overall economic conditions in 2012 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 2012 at $1.00 to $1.08 per dozen, only slightly higher than in 2011.

During first-quarter 2011, the wholesale price in the New York market averaged $1.06 per dozen for Grade A large eggs, down 16 percent from the same period in 2010. Part of the sharp drop in prices is due to the fact that the Easter holiday was not until late in April, so the normal runup in prices did not occur until second-quarter 2011. Although shell egg prices have fallen seasonally since the Easter holiday, the higher prices in April are expected to push the second-quarter price in the New York market to $0.97 and $0.99 per dozen, up 16 percent from the previous year.

Exports Up to 250 Million Dozen in 2012

Egg exports are expected to expand by 3 percent in 2012. As with broiler products, higher shipments in 2012 are primarily expected to be generated by stronger demand from a number of Asian countries.

Egg exports are expected to contract in 2011, with smaller shipments to Mexico and Canada and less demand for processed egg products by a number of European Community (EU) countries. In first-quarter 2011, egg and egg product exports totaled 67 million dozen, up 17 percent from the previous year. Much of the growth occurred in March, when shipments were up 26 percent from the previous year. Strong egg prices, especially early in the year, helped to hold down shipments. While exports in all categories increased, shipments of hatching eggs and table eggs were especially strong, rising 26 and 25 percent compared with a year earlier. Most hatching eggs go to countries in the Western Hemisphere, and the largest markets for shell eggs for consumption were Hong Kong and Canada.

Dairy

Milk Production and Exports To Continue Growth, but Prices Could Weaken in 2012

The outlook is for continued high feed prices in both 2011 and 2012. The corn price is forecast to reach a record $5.50 to $6.50 a bushel in 2011/12, up from $5.10 to $5.40 this year. Although plantings are expected to rise 4 million acres and yields should recover from last year's weather-reduced yields, stocks remain near historic lows. Soybean meal prices are forecast to rise in 2011/12 to $350 to $380 a ton, up from $350 a ton in 2010/11. Soybean prices are projected to be higher next year, based on lower production this season. Higher ingredient prices will continue to keep feed ration values high in 2012.

Although dairy producers have faced exceptionally high feed prices, high milk prices have helped producers remain profitable. The calculated milk-feed price ratio is expected to remain near 2.0 in 2011, but could slip in 2012 as milk prices decline next year from this year's expected highs. The expansion in dairy cow numbers that began last year continues, but will likely crest in the third quarter, with the U.S. dairy herd averaging 9.17 million head in 2011. In 2012, cow numbers are forecast to decrease slightly over the course of the year and average 9.16 million head for the year. Yield per cow is forecast to continue to climb modestly in 2011 above 2010. Output per cow in 2012 is forecast at a higher rate--reflecting the effects of herd freshening that has likely been ongoing since last fall--as the younger cows hit their stride and get an additional milking day next year.

The continued increase in milk per cow, to 21,305 pounds this year and 21,685 pounds next year, will more than counterbalance the small reduction in herd size expected in 2012. Milk production is projected to total 195.4 billion pounds in 2011 and to rise to 198.7 billion pounds in 2012.

Milk equivalent imports on a fats basis are forecast at 3.2 billion pounds this year; this represents a downward revision from last month. Although cheese imports appear to be ahead of last year, butterfat and food preparation imports are lagging. Fat basis imports are forecast at 3.0 billion pounds in 2012; high world prices and a relatively weak dollar offer little incentive to import. Milk equivalent imports on a skims-solids basis are projected at 4.3 billion pounds this year and are forecast to slip to 4.1 billion pounds in 2012. In 2012, the same factors affecting fats-based imports contribute to the forecast decline in skims-solids imports.

Commercial exports on a fats basis are expected to reach 7.8 billion pounds in 2011, an upward revision from last month. Total U.S. cheese exports to date are well ahead of 2010. For 2012, strong expected economic growth, especially in emerging and developing markets, should buoy exports, which are forecast at 8.7 billion pounds on a fats basis. Exports on a skims-solids basis are forecast at 31.9 billion pounds in 2011 and 32.3 billion pounds next year. Chinese imports of dry milk products are expected to continue apace for the near future. Although production from Oceania is likely to expand, strong global demand for dairy products will support continued expansion in U.S. dairy exports. Domestic commercial use on a fats basis will rise in 2011, but by less than 1 percent. Domestic use will likely climb in 2012 as continued economic recovery boosts use and milk supplies increase.

Dairy product prices were revised upward from April's estimates. Butter and nonfat dry milk (NDM) prices remained persistently high in April, in part reflecting continued export strength. Cheese prices have declined from March, but continued domestic demand should support cheese prices during the year. Seasonally higher milk production internationally could pressure dairy prices later in 2011 and into 2012. Cheese prices are expected to average $1.670 to $1.720 per pound this year and decline slightly to $1.595 to $1.695 per pound in 2012. Butter prices are forecast at $1.840 to $1.920 and $1.605 to $1.735 per pound in 2011 and 2012, respectively. NDM prices reflect the robust export outlook for NDM and will likely average $1.480 to $1.520 per pound in 2011 and decline slightly, to average $1.360 to $1.430 per pound in 2012. Whey prices are forecast at 45.0 to 48.0 cents per pound for the current year and 40.5 to 43.5 cents per pound in 2012.

The price outlook for the major dairy products points to continued high milk prices for the balance of 2011, with some decline in 2012. The Class III price is forecast at $16.45 to $16.95 per cwt this year and $15.35 to $16.35 per cwt next year. Class IV prices continue to lead Class III prices, both this year and next, averaging $18.40 to $19.00 per cwt and $16.30 to $17.40 per cwt in 2011 and 2012, respectively. The all milk price is forecast to average $18.95 to $19.45 per cwt in 2011 and $17.35 to $18.35 per cwt in 2012.

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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					2012	
	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	I	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	6,411	**6,715**	**6,770**	**6,325**	**26,211**	**5,950**	**25,080**
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	5,720	**5,355**	**5,535**	**6,015**	**22,625**	**5,730**	**22,950**
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	36	**40**	**37**	**39**	**152**	**40**	**154**
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	9,484	36,911	9,288	**9,325**	**9,425**	**9,375**	**37,413**	**9,285**	**38,140**
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	1,339	1,383	1,415	1,506	5,643	1,402	**1,420**	**1,440**	**1,465**	**5,727**	**1,410**	**5,815**
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	23,293	24,064	92,108	23,011	**23,007**	**23,365**	**23,382**	**92,765**	**22,572**	**92,780**
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	1,667	6,550	1,627	**1,640**	**1,650**	**1,670**	**6,587**	**1,610**	**6,560**
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	59.6	**14.1**	**15.1**	**15.1**	**14.1**	**58.4**	**13.2**	**56.0**
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	12.8	47.7	**11.6**	**11.3**	**11.5**	**12.3**	**46.8**	**11.5**	**47.0**
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**	**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	20.3	82.2	**21.6**	**21.6**	**21.1**	**20.8**	**84.8**	**20.7**	**84.6**
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	5.1	16.4	**3.5**	**3.6**	**4.0**	**5.0**	**16.2**	**3.6**	**16.3**
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	53.6	208.6	**51.5**	**51.9**	**52.4**	**52.9**	**208.7**	**49.7**	**206.5**
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	61.4	61.3	62.0	62.7	247.4	**61.3**	**61.7**	**61.9**	**62.3**	**247.1**	**60.3**	**244.4**
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	110.07	**111-115**	**111-117**	**110-120**	**111-115**	**110-120**	**111-120**
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	127.20	**121-125**	**118-126**	**120-130**	**122-127**	**119-129**	**122-130**
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	68.66	**68-72**	**66-70**	**66-70**	**68-71**	**71-75**	**71-76**
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	174.66	**166-170**	**161-169**	**163-173**	**167-172**	**163-173**	**160-166**
Barrows & gilts, N. base, l.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	59.94	**67-69**	**65-69**	**57-61**	**62-65**	**60-64**	**61-66**
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	77.9	**83-85**	**84-90**	**84-92**	**82-86**	**82-88**	**83-89**
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	90.2	**97-99**	**99-105**	**102-110**	**97-101**	**86-94**	**92-100**
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	105.8	**97-99**	**96-102**	**108-116**	**101-106**	**103-111**	**100-108**
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	646	2,299	**625**	**650**	**620**	**580**	**2,475**	**625**	**2,450**
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	436	2,297	**460**	**570**	**595**	**555**	**2,180**	**600**	**2,475**
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**	**47**	**178**
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	1,147	4,227	**1,150**	**1,165**	**1,135**	**1,225**	**4,675**	**1,180**	**4,475**
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	**200**	**220**	**235**	**240**	**895**	**200**	**895**
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	1,954	6,773	**1,500**	**1,550**	**1,650**	**1,700**	**6,400**	**1,600**	**1,650**
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	174	583	**150**	**150**	**155**	**160**	**615**	**145**	**600**
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**	**1,430**	**1,500**	**1,470**	**5,850**	**1,460**	**5,890**

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

	2010					2011					2012	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,093	9,119	9,126	9,130	9,117	9,163	9,175	9,180	9,175	9,173	9,165	9,161
Milk per cow (pounds)	5,212	5,462	5,267	5,208	21,149	5,286	5,485	5,280	5,255	21,306	5,415	21,685
Milk production (bil. pounds)	47.4	49.8	48.1	47.5	192.8	48.4	50.3	48.5	48.2	195.4	49.6	198.7
Farm use	0.2	0.2	0.3	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	1.0
Milk marketings	47.1	49.6	47.8	47.3	191.8	48.2	50.1	48.2	48.0	194.5	49.4	197.7
Milkfat (bil. pounds milk equiv.)												
Milk marketings	47.1	49.6	47.8	47.3	191.8	48.2	50.1	48.2	48.0	194.5	49.4	197.7
Beginning commercial stocks	11.3	13.1	13.5	12.2	11.3	10.9	12.2	13.8	12.8	10.9	11.3	11.3
Imports	1.2	1.0	1.0	0.9	4.1	0.8	0.7	0.8	0.9	3.2	0.7	3.0
Total supply	59.7	63.6	62.3	60.4	207.2	59.9	62.9	62.8	61.7	208.6	61.4	212.0
Commercial exports	1.3	2.4	2.4	2.2	8.3	2.3	2.0	1.9	1.7	7.8	2.1	8.7
Ending commercial stocks	13.1	13.5	12.2	10.9	10.9	12.2	13.8	12.8	11.3	11.3	12.5	11.3
Net removals	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	45.0	47.8	47.7	47.3	187.8	45.5	47.1	48.1	48.7	189.4	46.8	192.0
Skim solids (bil. pounds milk equiv.)												
Milk marketings	47.1	49.6	47.8	47.3	191.8	48.2	50.1	48.2	48.0	194.5	49.4	197.7
Beginning commercial stocks	11.3	12.0	12.7	12.5	11.3	12.3	11.9	12.2	11.8	12.3	11.9	11.9
Imports	1.2	1.2	1.3	1.3	4.8	1.2	1.0	1.0	1.1	4.3	1.2	4.1
Total supply	59.6	62.7	61.7	61.0	208.0	61.7	63.0	61.4	60.9	211.1	62.4	213.7
Commercial exports	6.2	8.7	8.4	8.7	32.1	8.2	8.1	8.0	7.6	31.9	8.1	32.3
Ending commercial stocks	12.0	12.7	12.5	12.3	12.3	11.9	12.2	11.8	11.9	11.9	11.9	11.8
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	41.9	41.3	40.9	40.0	164.0	41.6	42.7	41.6	41.4	167.3	42.4	169.7
Milk prices (dol./cwt) 1/												
All milk	15.60	15.07	16.80	17.70	16.29	18.73	19.60	19.25	18.35	18.95	17.30	17.35
							-19.90	-19.85	-19.25	-19.45	-18.30	-18.35
Class III	13.85	13.31	15.06	15.40	14.41	16.63	16.60	16.65	16.05	16.45	14.90	15.35
							-16.90	-17.25	-16.95	-16.95	-15.90	-16.35
Class IV	13.22	14.82	16.04	16.29	15.09	18.08	19.85	18.70	17.05	18.40	16.25	16.30
							-20.25	-19.40	-18.05	-19.00	-17.35	-17.40
Product prices (dol./pound) 2/												
Cheddar cheese	1.471	1.419	1.587	1.614	1.523	1.708	1.665	1.685	1.640	1.670	1.550	1.595
							-1.695	-1.745	-1.730	-1.720	-1.650	1.695
Dry whey	0.386	0.366	0.362	0.373	0.372	0.425	0.475	0.465	0.455	0.450	0.405	0.403
							-0.495	-0.495	-0.485	-0.480	-0.435	-0.433
Butter	1.387	1.551	1.915	1.955	1.702	1.990	1.990	1.785	1.615	1.840	1.575	1.605
							-2.050	-1.875	-1.735	-1.920	-1.705	-1.735
Nonfat dry milk	1.107	1.212	1.174	1.183	1.169	1.375	1.575	1.540	1.430	1.480	1.365	1.360
							-1.605	-1.590	-1.500	-1.520	-1.435	-1.430

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/dyfmos/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