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Outlook

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Livestock, Dairy, and Poultry Outlook

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Higher Feed Prices Impact Producer Margins and Production Levels

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Tables will be released on Jan 25, 2011

The next newsletter release is Feb 15, 2011

Approved by the World Agricultural Outlook Board

Beef/Cattle: The heavy commercial cow slaughter that characterizes 2010 implies scarce supplies of feeder cattle for the next few years. Dry weather pushed lightweight feeder cattle into feedlots despite expected high corn prices.

Beef/Cattle Trade: Global demand for U.S. beef should remain strong in 2011, but given smaller U.S. production, growth in beef exports above 2010 levels is not expected. Growth in beef imports to the United States is forecast in the second half of 2011.

Pork Hogs: Lower December 1 inventories and farrowing intentions reported in the December 1 Quarterly Hogs and Pigs report are expected to be offset by year-over-year higher litter rates and slightly higher dressed weights, to yield a 0.5 percent increase in 2011 commercial pork production.

Poultry: Broiler meat production in fourth-quarter 2010 is expected to total 9.43 billion pounds, up 125 million from the previous estimate. This adjustment follows strong gains in production in both October and November. The outlook for growth in broiler meat production for the beginning of 2011 has changed considerably over the last several weeks as growth in the number of chicks being placed for growout has declined sharply. December prices for whole hen turkeys averaged $0.98 per pound, down seasonally from November, but 14 cents per pound higher than the previous year. Prices in fourth-quarter 2010 averaged $1.04 per pound, 27 percent higher than the previous year. With low stock levels going into 2011, whole hen turkey prices are expected to remain above year earlier levels through the first half of the year. Overall egg exports over the first 11 months of 2010 have totaled 236 million dozen, up 8 percent from the previous year. Total egg exports have been boosted by strong gains in exports of egg products.

Poultry Trade: November broiler and turkey shipments rose over last year's totals. Broiler exports totaled 665.3 million pounds, a 26-percent increase, and turkey exports totaled 64.3 million pounds, an increase of 33-percent from a year ago.

Dairy: Higher feed prices will pressure producer margins in 2011, limiting any increase in milk production. Both imports and exports are projected below last year's totals, especially for fats. Exports of powder and whey continue to be strong, but higher global output will likely limit exports. Cheese supplies appear adequate to meet expected demand, and butter prices should ease over the course of the year as stocks rebuild. Class IV prices will likely average above Class III prices and the all milk price will remain near the 2010 price.

2010 Cow Slaughter Heaviest in More than a Decade

Commercial cow slaughter maintained a high pace during all of 2010. Cow slaughter each quarter was the largest in well over a decade (fourth quarter of 2010 estimated), as was the annual total cow slaughter. And this slaughter was based on the smallest January 1, 2010 U.S. cow herd since 1951's total cow inventory of 39.4 million cows, which means a relatively high culling rate, even after adjusting for imports of Canadian slaughter cows. The high rates of cow slaughter were supported by high cow prices during most of the year. Despite the relatively high cow slaughter numbers, anecdotal comments suggest some heifer retention for cow herd building may have begun. The January 1 Cattle inventory report will provide an indication of heifer retention and whether we are at or near a "bottom" in cow herd liquidation.

A speculative thought is that some pre-baby boomers, and some early baby boomers past or nearing retirement age, may be getting out of the cow-calf business. This does not necessarily mean the cows of those owners will all go to slaughter; they may simply change hands—consistent with the trend toward fewer cow herds. Interestingly, Agricultural Census data show only a slight increase in the average number of beef cows per beef cow operation since 1992 (table 1).

Table 1--Changes in beef cow inventories, number of beef cow operations, and cows per operation since 1992

	1992	1997	2002	2007	2009*	% change from 1992-2009
Beef cow operations	803,241	804,595	796,436	764,984	753,000	-6.3
Beef cows	32,545,976	34,066,615	33,398,271	32,834,801	31,712,000	-2.6
Cows/operation	40.51832	42.34008	41.93466	42.92221	42.11421	3.9

* Data for 1992-2007 are from the *Agricultural Census*; 2009 data are reported in *Cattle and Farms, Land in Farms, and Livestock Operations: 2009 Summary* (USDA, National Agricultural Statistics Service).

Feeder Cattle Go to Feedyards Despite High Corn Prices

While irrigated wheat pasture in the Southern Plains is providing some grazing, dryland wheat pasture is off to a slow start. This was evident in the November *Cattle on Feed* report in which animals in the under-500-pound category—a number of which would have gone to wheat pasture had it been available—showed the greatest year-over-year increase. While recent rains have mitigated some effects of the expanding dry conditions in the Southern Plains and Southeastern United States, more precipitation will be needed to offset effects from conditions that appear to be deteriorating in these regions. Even if conditions were to improve, dryland winter wheat pasture is not likely to develop sufficiently to support grazing before growth begins again in February, if at all this winter. This could continue to push lightweight feeder cattle into feedlots prematurely and despite high grain prices.

Lightweight feeder cattle have been popular in auction sales for the last several weeks. Anecdotal accounts from private sources suggest that at least some of these cattle were purchased for overwintering on hay supplies that are relatively abundant in some areas. The intent may be to pasture these stockers next spring and summer for sale as heavyweight feeder cattle at the end of the 2011 grazing season. This strategy would be aimed at capturing the expected high prices during the anticipated shortage of heavy feeder cattle later in 2011, while minimizing the impact of expected high corn prices on finishing costs. Such a strategy would shift feeder cattle from the first half of 2011 into the last half and beyond when heavy feeder cattle are expected to be in very short supply, although it would exacerbate the feeder cattle situation during the first half of 2011.

If December 2010 net placements are near expectations, net placements in feedlots for each quarter will have been the highest, year-over-year, since 2007. While marketings for the last half of 2011 are expected to be lower year-over-year, the 2010 net placements will keep first-half 2011 beef supplies higher than first-half 2010.

Signs of Resistance to Upward-Spiraling Beef Prices?

Wholesale beef prices held up nicely through the end of 2010, with Choice cutout values averaging almost 12 percent above year-earlier prices on a monthly basis. While annual Choice cutout values will be up only about 12 percent, December 2010 Choice cutout values ended 17 percent higher than December 2009 prices, and only the first quarter was up by less than 10 percent, year-over-year. According to AMS reports, wholesalers are beginning to feel some resistance to the higher wholesale cutout values.

Dynamics are in motion for retail Choice beef prices for December to be higher than those of either November 2010 or December 2009, but retail prices have reached levels where they may be encountering some consumer resistance. While higher pork and poultry supplies may mitigate beef price increases during 2011, the anticipated reduced beef supplies may also support pork and poultry prices. The interaction of these changes in supplies and prices may also be affected by economic recovery during 2011.

Beef/Cattle Trade

U.S. Beef Still a Hot Commodity in 2011

Global demand for U.S. beef in 2011 should remain equally as strong, or perhaps stronger, than 2010; however, there will be less beef produced in the United States available for export. In the face of tighter supplies, the export forecast for 2011 is unchanged from last year at 2.3 billion pounds. In the first and second quarters of this year, 15 and 2.6 percent year-over-year growth is anticipated. As beef supplies diminish in the second half of the year, export levels should fall below those posted in the third and fourth quarters of 2010, with the sharpest reduction 13 percent below 2010 in the fourth quarter. Demand for U.S. beef among Asian trading partners should remain high in 2011, particularly with a weaker U.S. dollar and the resumption of global economic growth. Increased domestic production in Mexico, however, may somewhat hamper exports to that country, the top U.S. beef export market.

U.S. beef exports for 2010 will likely be 2.3 billion pounds, demonstrating 19-percent yearly growth. The fourth quarter of this year should post over 25 percent year-over-year growth at 650 million pounds, the largest quarterly export quantity since 2003.

Beef Imports To Remain Tight Through First Half of 2011

U.S. beef imports in 2011 are forecast at 2.45 billion pounds, 5 percent above the 2010 import forecast. The 2.3 billion pound import estimate for 2010, however, is more than 11 percent below year-earlier levels. Oceania exports were constrained throughout much of 2010—first due to herd rebuilding efforts and second by a strong Australian dollar—and conditions for lower import quantities from the top U.S. beef suppliers should continue through at least the first half of 2011. The persistently strong Australian dollar is the predominant factor limiting shipments of beef to the United States from already supply-tightened Oceania. Subsequently, the first and second quarters of this year could demonstrate 4 and 6 percent year-over-year declines in total imports. Growth in total beef imports in 2011 is not forecast until the second half of the year, with nearly 9.5- and 26-percent growth expected in the third and fourth quarters, respectively.

Uncharacteristically, U.S. beef imports for 2010 will outpace exports, but only by a narrow margin. The fourth-quarter 2010 import level is expected to be 470 million pounds, which would make the United States a net exporter. On a volume basis, the United States is rarely a net exporter. Quarterly since 2003, that has only occurred once, in the third quarter of 2008. Equal quantities of imports and exports are also forecast in the first quarter of this year, at 550 million pounds.

U.S. Cattle Imports 9 Percent Lower in 2011

Through November, cattle imports were 16 percent higher than 2009 levels. Total annual cattle imports for 2010 are forecast to be 16 percent higher, at 2.315 million head. Following a seasonal weather pattern in Mexico that was drier than normal, particularly in Northern Mexico where the majority of U.S. cattle exports originate, and given the strong fall runup in imports of Mexican cattle, fourth-quarter Mexican cattle imports in 2010 should be the strongest in several years.

Through November, Mexican cattle imports were 31 percent higher, year-over-year. These cattle imports began tapering off in the last week of the year, as is typical, and should hit a low in January before reaching one of the two yearly peaks in March. Canadian cattle imports through November were 3 percent higher. Total North American cattle inventories are at their lowest levels in decades, and with smaller Canadian and Mexican inventories expected in 2011, U.S. cattle imports are forecast at 2.1 million head for the year.

Pork/Hogs

Slightly Higher 2011 Pork Production Expected, as Productivity Gains and Higher Dressed Weights Offset Lower Inventories and Farrowings

In a U.S. animal-protein market environment now dominated by upside feed-price risk, the *Quarterly Hogs and Pigs* report released by USDA on December 27, 2010, showed lower swine inventories and lower farrowing intentions for the first half of 2011. At a minimum, lower inventories and farrowing intentions indicate a degree of caution on the part of hog producers with respect to how profitability might be affected by higher feed costs. The report indicated that the December 1 inventory of market hogs was 0.83 percent lower than a year ago. The report also indicated that producers have pared back breeding animal numbers compared with a year earlier—December 1 inventory of breeding animals was 1.23 percent lower than on December 1, 2009. The lower breeding inventory, combined with estimated year-over-year higher fourth-quarter sow slaughter (net of imported culled Canadian breeding animals), suggests that some producers have responded to higher corn and soybean meal prices—and to expectations that high prices will continue into the future—by reducing breeding numbers, thereby limiting exposure to the lower returns that higher feed costs often imply.

The report also showed lower producer farrowing intentions for the first half of 2011. The second set of producer intentions for the December-February quarter indicates that farrowings will be about 1 percent lower than a year earlier. First intentions for the March-May quarter are 2.25 percent below the same period last year. Combined producer intentions in the December report indicate that first-half 2011 farrowings could be about 1.4 percent lower than in the same period last year.

While smaller breeding animal inventories and lower farrowing intentions often translate into lower pig crops, continued gains in sow productivity are expected to largely offset lower farrowing numbers in 2011. Moreover, continually improving swine genetics and enhanced nutrition management practices are expected to continue to move average dressed weights slightly ahead of last year's estimated average of 203.5 pounds per carcass. Hog weights are expected to average slightly ahead of last year's average, although recent weight increases are not expected to be sustained through the year. This year's commercial pork production is expected to be 22.5 billion pounds, about half a percent higher than production in 2010.

Exports Strong in November

November pork exports totaled more than 406 million lbs, 6.7 percent higher than a year ago. The largest export shipments in November were made to Japan, Mexico, and Canada. Exports to Japan (10.2 percent higher than last November) and Mexico (30.4 percent higher) were substantially above a year ago, while shipments to Canada were 8.8 percent below November 2009. Fourth-quarter exports are expected to be 1.15 billion lbs, or 2.95 percent ahead of the same period in 2009. While high U.S. pork prices are expected to persist into 2011 and to slow growth in the demand for U.S. pork, total 2011 pork exports are expected to increase by more than 9 percent above 2010 shipments.

U.S. imports of pork products in November were about 74 million lbs, 0.4 percent above a year ago. Canada (82 percent of imports) and Denmark (7.4 percent) together supplied more than 88 percent of imported pork products in November. Smaller suppliers—Mexico (2.7 percent), Poland (3.4 percent), and Italy (1.7 percent)—accounted for most of the remainder. Total 2010 imports, expected to be 880 million lbs, would constitute about 4.6 percent of U.S. domestic pork disappearance, a favorable comparison with the 10-year average of 5.2 percent. Pork imports for 2011 are expected to be 900 million lbs, an increase of 2.3 percent year-over-year.

U.S. imports of live swine were about 465 thousand head in November, a decline of more than 2 percent from November 2009. The decline in total numbers was tempered by year-over-year increases in both categories of breeding animals, and by a 3-percent increase in segregated early-weaned animals—animals weighing less than 7 kgs per head. Continued strong U.S. hog prices will likely draw these categories of animals into the United States.

December Retail Prices Down Sharply as Bacon Prices Ease

December retail pork prices were $3.19 per lb, down sharply from 3.32 in November. The Bureau of Labor Statistics data upon which retail prices are based suggests that easing bacon prices likely account for most of the drop in retail pork prices. Retail pork prices are expected to remain in the mid-to-high $3.20's per lb for 2011.

Poultry

Broiler Production Estimate for Fourth-Quarter 2010 Increased

Broiler meat production in fourth-quarter 2010 is expected to total 9.43 billion pounds, up 125 million from the previous estimate. This adjustment follows strong production gains in both October and November. If the total of 9.43 billion pounds is achieved, it would be an almost 7-percent increase from fourth-quarter 2009. The increase is expected to come from a combination of higher numbers of broilers being slaughtered and gains in average weights.

Broiler meat production in November 2010 was 3.12 billion pounds, an increase of 12 percent from a year earlier. Broiler meat production has increased on a year-over-year basis in 8 of the first 11 months of 2010. A major component of the November increase was 1 additional slaughter day in 2010 compared with November 2009. The number of birds slaughtered in November was 8 percent higher than the previous year, and this increase was compounded by a strong rise (3.7 percent) in the average liveweight for birds at slaughter to 5.88 pounds. Broiler meat production in December is again expected to show a strong increase, due to a combination of a higher number of birds slaughtered and higher average weights.

The outlook for growth in broiler meat production for the beginning of 2011 has changed considerably over the last several weeks, due to sharp changes in both the weekly number of broiler eggs placed in incubators and the number of chicks being placed for growout. At the end of November, the 5-week moving average (Oct. 30 through Nov. 27) showed that the number of chicks being placed for growout was averaging 5.5 percent higher than the previous year. By the first week of January, the 5-week moving average (Dec 11 through Jan. 8) showed that the average number of chicks placed for growout was only 0.8 percent higher than in the same period the previous year. This abrupt slowdown is likely the result of sharp increases in feed grain prices, especially coming at a time when wholesale prices for many broiler products have been declining.

Broiler stocks at the end of November totaled 743 million pounds, up 42 million pounds from the end of October and 16 percent higher than at the end of November 2009. Higher broiler meat production, especially in the second half of 2010, has resulted in generally higher broiler stocks on a year-over-year basis in the last 4 consecutive months. One exception has been stocks of whole birds. At the end of November whole bird stocks totaled 14 million pounds, a decrease of 5 million pounds (25 percent) from a year earlier. Stock levels for almost all other broiler products were significantly higher than the previous year. Higher stocks of leg quarters (up 58 million pounds) have accounted for a major portion of the increase. Broiler stocks are expected to total 750 million pounds at the end of 2010, up 22 percent from the previous year and 25 million pounds higher than the previous estimate. Strong exports are expected to be more than offset by increases in meat production. In 2011, ending stocks are expected to be above a year earlier during the first half of the year, but to move lower as production growth slows.

Even with strong prices for both beef and pork products, the strong gains in broiler meat production and resulting increases in stock levels, combined with continued high unemployment, have gradually pushed down wholesale prices for most broiler products. Prices for boneless/skinless breast meat in the Northeast market averaged $1.15 per pound in December, down $0.53 a pound from a high of $1.67 in September and down 4 percent from a year earlier. Prices for leg quarters in the Northeast market averaged $0.37 per pound in December, an increase of 2 percent from the previous year. Prices were down from $0.41 per pound in October, when they were boosted by record-high exports that month. Wing prices started 2010 at very high levels, but declined significantly as the year progressed. After averaging $1.61 per pound in first-quarter 2010, the average price for whole wings in the Northeast market fell to $1.12 in December. In past years, wing prices had peaked at the end of the professional football season and then declined. In 2011, with strong gains in production expected through January, prices are not expected to have as strong an upward seasonal movement as in previous years.

Turkey Prices Higher in Fourth-Quarter 2010

In 2010, prices for whole hen turkeys were consistently higher than the previous year. With lower production through the first three quarters of 2010 and a strong export market, stocks levels declined, placing upward pressure on prices. December prices for whole hens averaged $0.98 per pound, down seasonally from November, but $0.14 per pound higher than the previous year. Prices in fourth-quarter 2010 averaged $1.04 per pound, 27 percent higher than the previous year. This was 6 cents per pound higher than in the third quarter. With low stock levels going into 2011, whole hen prices are expected to remain above year-earlier levels through the first half of the year, but may be slightly lower by the end of the year.

Turkey production in November was 520 million pounds, 9 percent higher than in November 2009. The increase in production came from gains in both the number of birds slaughtered (even accounting for 1 more slaughter day in November 2010 than in November 2009) and a gain in the average weight per bird at slaughter. In November 2010, the number of turkeys slaughtered was 6.8 percent higher than the previous year. The average weight for turkeys at slaughter rose to 28.2 pounds, up 1.6 percent. Turkey meat production in December 2010 is also expected to be higher than the previous year. The estimate for turkey meat production in fourth-quarter 2010 is 1.5 billion pounds, up 4 percent from the previous year. The turkey meat production estimate for 2011 is 5.56 billion pounds, down 1 percent from 2010, with much of the growth coming in the first half of the year and higher grain prices lowering production in the second half of the year.

Ending stocks for all turkey products in fourth-quarter 2010 are expected to be 200 million pounds, down 62 million pounds (24 percent) from the same period in 2009. At the end of November, cold storage holdings for turkey totaled 176 million pounds, 28 percent lower than a year earlier. The decrease was due to smaller cold storage holdings for both whole birds (down 42 percent) and turkey parts (down 22 percent). With turkey production expected to be only slightly higher in the first half of 2011 (up 1 percent) and lower beginning stocks, turkey cold storage levels are expected to continue lower than the previous year during the first half of 2011.

Eggs Prices Higher in Fourth-Quarter 2010

Even with table egg production expected to be above year-earlier levels in fourth-quarter 2010, wholesale egg prices have remained strong through the end of 2010. Wholesale prices for a dozen grade A large eggs in the New York market are expected to average $1.23 in fourth-quarter 2010, up 5 percent from the same period in 2009 and up sharply (32 percent) from the third quarter of 2010. During 2010, prices averaged $1.06 per dozen, up 3 cents from 2009, as higher prices in the first and fourth quarters offset lower prices in both the second and third quarters. With table egg production expected to expand in 2011, prices are expected to average $0.98 to $1.04 per dozen, slightly lower than the average for 2010. This forecast will be dependent on the pace of economic recovery, with faster growth placing upward pressure on prices, especially in the second half of 2011.

Table egg production in November 2010 was 542 million dozen, down slightly (less than 1 percent) from the previous year. Production was slightly higher in each of the first three quarters of 2010, and overall production for 2010 is estimated at 6.52 billion dozen, which would be a slight gain of 0.7 percent. Production in 2011 is expected to follow this same growth pattern, with yearly production estimated at 6.55 billion dozen, a gain of less than 1 percent. Gains in production in 2011 are expected to be small as higher grain prices reduce incentives for egg producers to expand output.

Even with substantial gains in broiler production expected in fourth-quarter 2010, the estimate for hatching egg production is 265 million dozen, only marginally higher than the previous year. As with shell eggs, hatching eggs have had small gains in production in each of the first three quarters of 2010. The overall production estimate for 2010 is 1.07 billion dozen, just over 1 percent higher than in 2009. With slower growth expected for the broiler industry in 2011, hatching egg production is expected to increase only marginally in 2011.

Strong egg prices in fourth-quarter 2010 tended to push down demand for egg exports. U.S. egg and egg product exports in November totaled 19 million dozen, down 15 percent from the previous year. Overall egg exports over the first 11 months of 2010 have totaled 236 million dozen, up 8 percent from the previous year. Over the first 11 months of 2010, shipments of table eggs for consumption have totaled 66 million dozen, down 2 percent compared with the same period in 2009. The major markets for table eggs are Hong Kong, Canada, and the UAE. These countries have imported 53.8 million dozen table eggs through the first 11 months of 2010, over 80 percent of our total shipments. Exports of shell eggs for hatching have risen slightly, totaling 47 million dozen over the first 11 months of 2010, 1 percent higher than in the same period in 2009 as economic conditions in many countries slowed growth in broiler production. The major destinations for hatching eggs are Canada, Mexico, and Central American and Caribbean countries. The large majority of the growth in egg exports has come from higher shipments of egg products. Shipments of egg products so far in 2010 have been 123 million dozen, up 18 percent from the same period in 2009. Japan and Canada are major markets for egg products, but shipments to various EU countries have accounted for a substantial portion of the exports. Through November, egg product exports to EU countries have totaled over 37 million dozen. Germany is by far the largest buyer, accounting for over 23 million dozen.

Poultry Trade

Broiler Shipments Jumped in November

Broiler shipments totaled 665.3 million pounds in November 2010, a 26-percent increase from the same period in 2009. November broiler shipments accounted for the second largest U.S. shipment ever, following October's record shipment. There are several reasons for the jumps in broiler shipments that one can point to including relative low broiler prices, favorable exchange rates, and the resumption of trade with Russia in August. For the third month in a row, Russia has imported large volumes of broiler meat. Twenty-eight percent of U.S. total broiler shipments went to Russia, a 66-percent increase over shipments in November 2009. Other markets such as Mexico, Hong Kong, Angola, and Vietnam were also major contributors to the second largest U.S. broiler shipment. Compared with November 2009, Mexico imported 27-percent more broilers in November 2010, while Hong Kong, Angola, and Vietnam imported 113-percent, 44- percent, and 196-percent more, respectively, over the same period.

With respect to value, broiler shipments were up in November 2010. The U.S. shipped $322 million pounds of broiler meat to various markets in November 2010, a 33-percent increase from last November's total value. The leading three markets in shipment values were Russia, Mexico, and Canada, in that order.

Turkey Shipments Are Up in November

Turkey shipments in November 2010 were ranked the second largest turkey export ever. A total of 64.3 million pounds of turkey meat was shipped to markets worldwide, an increase of 33- percent from a year ago. Favorable exchange rates are one of the chief reasons for the large shipment. The large surge in total turkey shipments was fueled primarily by Mexico's turkey imports. Mexico imported 11 million pounds more in November 2010 than it did a year earlier, for one of the largest turkey shipments to any one market in a single month. China and Hong Kong also were large contributors to the U.S. second largest shipment. China imported over 8 million pounds of turkey meat, almost 3 million pounds more than it did the previous year, while Hong Kong imported over 4 million pounds, over 3 million pounds more than it did a year ago.

The total value of turkey shipments in November came to $51 million. Compared with the November 2009 total value, November 2010 shipments were up 40-percent. Of the turkey meat shipped, Mexico accounted for 60-percent of the total value. Other markets, such as China and Hong Kong, imported turkey meat with totals exceeding last year's value by 100-percent or more.

Dairy

Year-Over-Year Milk Production Increases Slowly Adjusting Supply to Demand, Holding the All Milk Price Near the 2010 Price

The latest USDA forecasts indicate rising feed prices for the 2010/11 crop year. The corn price is forecast to average $4.90 to $5.70 per bushel, and the soybean meal price is forecast to average $320 to $360 per ton. These latest price forecasts represent an increase from last month's forecasts. Positive processor margins for ethanol and strong exports will contribute to the higher price. Supplies of corn are expected to be lower as yield per harvested acre is expected to be lower than in 2009/10, despite higher planted acreage. Supplies of soybeans and soybean meal are also forecast to be slightly lower than in 2009/10.

Meanwhile, the most recent *Milk Production* report indicated that estimated U.S. milk production rose 2.7 percent in November on a year-over-year basis. Cow numbers also continue to rise on a year-over-year basis. However, herd size was unchanged in November from October. This situation suggests producers may be responding to lackluster feed-price ratios that persisted in 2010 and are likely to worsen in 2011 due to higher expected feed prices. USDA's *Cattle* report, which will be released January 28, will provide an early indication of producer intentions regarding dairy heifer retention. The current forecast calls for cow numbers to average 9.1 million head in 2011, the first annual increase since 2008. High cow slaughter and heifer prices that are about unchanged from last year suggest little incentive for herd expansion. The availability of heifer replacements at modest prices could provide an opportunity to some producers for herd freshening, which could be a cost-reducing strategy with higher feed prices in the offing. Milk per cow is projected to rise 1.3 percent this year over last to 21,425 pounds. Total milk production in 2011 is expected to reach 195.5 billion pounds, compared with 192.8 billion pounds for 2010.

Milk equivalent exports for 2011 are forecast at 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. Although representing a retreat from 2010 exports, these forecasts have been raised from last month largely on improved skim-solids basis exports. U.S. dairy product prices are below international prices and a weak dollar relative to foreign currencies makes U.S. dairy products attractively priced. Global demand should be higher in 2011, especially in Asia and South America, because economic recovery in those regions has been stronger than in Europe and the United States. What remains to be seen is the scope of recovery in milk production in Oceania.

U.S. imports of dairy products will trail last year's totals and have been adjusted downward. Imports for 2011 are forecast at 3.9 billion pounds on a fats basis and 4.7 billion pounds on a skim-solids basis. The same fundamentals that make U.S. exports attractive on the world markets weaken the U.S. import market.

Butter stocks remain very tight, and consequently, butter prices are expected to remain high relative to recent years but to average below 2010 levels. Butter prices are expected to decline in the second half of 2011 as foreign production eases global tightness and more milk to move to Class IV uses due to adequate domestic supplies of cheese and strong export demand for nonfat dry milk (NDM). Butter prices are forecast to average $1.545 to $1.655 per pound in 2011.

Cheese prices are projected to average $1.510 to $1.590 per pound in 2011, close to the 2010 average price. Beginning cheese stocks are above last year's levels and supplies appear adequate to meet demand. Over the course of 2011, supplies could tighten in the face of forecast milk production, keeping cheese prices firm over the course of the year. Expectations for continued strong exports for NDM and whey will likely boost prices above last year for both products in 2011. In 2011, NDM prices are forecast to average $1.220 to $1.280 per pound and whey prices are projected at 37.5 to 40.5 cents per pound; both forecasts represent an increase from 2010 prices. Milk prices in 2011, like milk product prices, are expected to average higher than in 2010. The Class III price is expected to average $14.35 to $15.15 per cwt. The Class IV price is expected to average $14.90 to $15.80. The all milk price is projected at $16.10 to $16.80 per cwt.

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Contacts and Links

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Data Products

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

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

Related Websites

Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/Publications/ldp/
Animal Production and Marketing Issues,
http://www.ers.usda.gov/briefing/AnimalProducts/
Cattle, http://www.ers.usda.gov/briefing/cattle/
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Poultry and Eggs, http://www.ers.usda.gov/briefing/poultry/
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http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194

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U.S. red meat and poultry forecasts

	2004	2005	2006				2007 1/					2008					2009					2010					2011				
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	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	6251	6549	6771	**6740**	**26311**	**6305**	**6490**	**6575**	**25660**
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	5607	5301	5401	**6135**	**22444**	**5670**	**5350**	**5505**	**22545**
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	45	171	43	40	39	**42**	**164**	**40**	**39**	**38**	**157**
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,145	9,439	9,457	8,865	36,906	8,573	8,939	9,172	8,827	35,511	8732	9198	9496	**9425**	**36851**	**9075**	**9325**	**9475**	**37250**
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	1340	1383	1415	**1500**	**5638**	**1375**	**1375**	**1390**	**5560**
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	22124	22628	23196	**23922**	**91711**	**22545**	**22641**	**23048**	**91470**
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	**1,660**	**6,522**	**1,620**	**1,620**	**1,630**	**6,550**
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	**14.7**	**59.7**	**14.4**	**14.7**	**14.9**	**58.1**
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.6	12.0	13.3	49.5	12.5	12.0	12.5	13.0	50.1	11.8	11.4	11.7	**12.9**	**47.8**	**11.8**	**11.4**	**11.4**	**12.3**
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**	**0.9**
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	**20.9**	**82.8**	**20.3**	**21.1**	**21.3**	**83.4**
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	5.3	17.6	3.7	3.9	4.0	5.3	16.9	3.5	3.6	4.1	**5.2**	**16.4**	**3.5**	**3.7**	**3.7**	**15.8**
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	**54.4**	**209.4**	**50.7**	**51.5**	**51.9**	**206.8**
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	62.0	63.8	248.9	62.0	61.5	61.4	62.9	247.7	61.1	61.1	61.8	**62.3**	**246.2**	**60.9**	**60.8**	**61.0**	**245.2**
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**	**100-104**	**100-108**	**97-105**	**99-106**
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**	**113-117**	**112-120**	**110-118**	**112-119**
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**	**56-58**	**58-62**	**57-61**	**57-61**
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**	**116.81**	**136-140**	**135-143**	**133-141**	**135-142**
Barrows & gilts, N. base, Le. $/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**	**53-55**	**56-60**	**58-62**	**54-58**
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**	**78-82**	**80-86**	**82-88**	**81-86**
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**	**86-90**	**87-93**	**90-98**	**89-95**
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	122.60	128.30	109.70	89.70	94.80	117.70	103.00	126	82.8	93.1	**123.2**	**106.3**	**107-111**	**88-94**	**90-98**	**98-104**
U.S. trade, million lb																															
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	496	518	1,869	478	585	590	**650**	**2,303**	**550**	**600**	**585**	**2,300**
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	**470**	**2,331**	**550**	**650**	**655**	**2,445**
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**	**168**
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,016	1,125	4,126	1,047	1,081	952	**1,150**	**4,230**	**1,100**	**1,110**	**1,155**	**4,615**
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**	**215**	**215**	**225**	**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	**1,700**	**6,519**	**1,625**	**1,625**	**1,675**	**6,650**
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	114	136	159	**145**	**554**	**125**	**130**	**145**	**550**
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,201	2,083	9,348	1,761	1,614	1,518	1,472	6,365	1,446	1,408	1,479	**1,450**	**5,783**	**1,450**	**1,410**	**1,480**	**5,790**

1/ Forecasts are in bold.

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

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

For further information, contact: Richard Stillman, (202) 694-5265, stillman@ers.usda.gov

Dairy Forecasts

			2010					2011				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,090	9,201	9,091	9,111	9,123	9,120	9,111	9,125	9,135	9,125	9,115	9,125
Milk per cow (pounds)	5,090	20,576	5,209	5,461	5,270	5,220	21,159	5,320	5,515	5,310	5,280	21,425
Milk production (bil. pounds)	46.3	189.3	47.4	49.8	48.1	47.6	192.8	48.5	50.4	48.5	48.1	195.5
Farm use	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	47.9	194.5
Milkfat (bil. pounds milk equiv.)												
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	47.9	194.5
Beginning commercial stocks	13.7	10.1	11.3	13.0	13.4	12.1	11.3	10.2	12.3	13.8	12.9	10.2
Imports	1.3	5.6	1.2	1.0	1.0	1.0	4.1	1.0	0.9	1.0	1.1	3.9
Total supply	61.0	204.0	59.7	63.5	62.2	60.4	207.3	59.5	63.3	63.0	61.9	208.7
Commercial exports	1.2	4.5	1.3	2.4	2.4	2.0	8.1	1.5	1.7	1.7	1.5	6.4
Ending commercial stocks	11.3	11.3	13.0	13.4	12.1	10.2	10.2	12.3	13.8	12.9	10.5	10.5
Net removals	0.6	0.7	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Commercial use	47.7	187.3	45.1	47.8	47.7	48.2	188.7	45.7	47.9	48.4	49.9	191.8
Skim solids (bil. pounds milk equiv.)												
Milk marketings	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	47.9	194.5
Beginning commercial stocks	11.5	10.9	11.3	11.8	12.5	12.3	11.3	11.9	11.4	12.3	11.7	11.9
Imports	1.4	5.5	1.2	1.2	1.3	1.3	4.8	1.3	1.1	1.1	1.2	4.7
Total supply	58.9	204.7	59.6	62.5	61.6	60.9	208.0	61.5	62.6	61.6	60.8	211.1
Commercial exports	6.1	22.4	6.2	8.7	8.4	8.8	32.1	7.7	7.9	7.7	7.3	30.7
Ending commercial stocks	11.3	11.3	11.8	12.5	12.3	11.9	11.9	11.4	12.3	11.7	11.5	11.5
Net removals	0.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.4	168.6	42.0	41.3	40.9	40.2	164.4	42.4	42.4	42.2	42.0	168.9
Milk prices (dol./cwt) 1/												
All milk	15.40	12.83	15.60	15.07	16.80	17.73	16.30	16.25	16.10	15.95	16.20	16.10 *
								-16.65	-16.80	-16.95	-17.20	-16.90
Class III	13.96	11.36	13.85	13.31	15.06	15.40	14.41	13.60	14.45	14.85	14.40	14.35 *
								-14.00	-15.15	-15.85	-15.40	-15.15
Class IV	13.37	10.89	13.22	14.82	16.04	16.29	15.09	15.70	15.00	14.60	14.35	14.90 *
								-16.20	-15.80	-15.70	-15.45	-15.80
Product prices (dol./pound) 2/												
Cheddar cheese	1.508	1.296	1.471	1.419	1.587	1.614	1.523	1.420	1.520	1.565	1.545	1.510
								-1.460	-1.590	-1.665	-1.645	-1.590
Dry whey	0.344	0.258	0.386	0.366	0.362	0.373	0.372	0.385	0.380	0.375	0.375	0.375
								-0.405	-0.410	-0.405	-0.405	-0.405
Butter	1.350	1.209	1.387	1.551	1.915	1.955	1.702	1.755	1.560	1.470	1.410	1.545
								-1.825	-1.660	-1.600	-1.540	-1.655
Nonfat dry milk	1.142	0.922	1.107	1.212	1.174	1.183	1.169	1.205	1.220	1.225	1.225	1.220
								-1.245	-1.280	-1.295	-1.295	-1.280

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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