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Livestock, Dairy, and Poultry Outlook

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Reduced Poultry Production Estimates for 2010

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on Dec 29, 2009

The next newsletter
release is Jan 20, 2010

Approved by the
World Agricultural
Outlook Board

Beef/Cattle: In 2009, economic recession, high unemployment, and abundant supplies of pork and poultry adversely affected demand for beef. As a result, demand was insufficient to maintain cattle and beef prices throughout 2009, which led to sluggish feedlot marketings, heavy dressed weights, and ample beef supplies, despite relatively low cattle inventories. Atypically high cow slaughter, driven by low milk prices and producer-funded dairy herd buyouts, contributed to beef supplies and downward pressure on beef and cattle prices.

Beef/Cattle Trade: U.S. beef exports are expected to decline 2 percent compared with last year, but stronger sales to Asia have helped exports overall. Beef imports have trended downward relative to last year, as a weakening dollar has made foreign beef more expensive. Live cattle imports are expected to be 17 percent lower than last year. Decreased imports from Canada are expected to eclipse increased imports from Mexico.

Special Article: Effects of the 2008-2009 Cooperatives Working Together Herd Retirements on Milk Production and Cow Slaughter, and Near-Term Effects of Sexed Semen Technology.

Lamb: Lower-than-normal demand for lamb has affected lamb prices and appears to have weighed heavily on producer decisions, and it may have resulted in increased liquidation. This year, third-quarter culling rate was higher than normal and has been extended well into the fourth quarter. The high rate of mature slaughter suggests that the 2010 breeding inventory could be down. This could significantly reduce the number of market animals in 2010. An economic recovery and a rebound in lamb demand in 2010 could find the already-tight domestic supplies being even tighter.

Dairy: Lower forecast milk production in 2010, combined with continued recovery in dairy product exports, is expected to lift milk and dairy product prices in 2010.

Poultry: Continued declines in chick placements has resulted in a reduction in the fourth-quarter 2009 broiler meat production estimate to 8.85 billion pounds and reductions to all the quarterly production estimates in 2010. Turkey production continues to be down strongly from the previous year. Although prices for whole birds have risen recently, the turkey hatchery numbers indicate that turkey meat production will be lower through the first half of 2010. October cold storage holding estimates for whole turkeys fell to levels below the previous year for the first time in 2010. The number of hens in the table egg flock was higher than the previous year in October, but egg prices are forecast to be significantly higher in fourth-quarter 2009, compared with the previous quarter.

Pork/Hogs: USDA raised its fourth-quarter 2009 price forecast of 51-52 percent lean live equivalent hogs to \$39-\$40 per cwt, as the effects of a slightly lower spring pig crop and lower live swine imports begin to take hold. Wholesale pork prices are also showing strength. U.S. pork exports for October were 3.5 percent lower than a year ago. October imports were 2.7 percent higher, with live imports down 28.8 percent compared with October 2008.

2009: A Hard Year for Cattle and Beef Sectors

Despite favorable weather and ensuing favorable pasture and range conditions, 2009 has not been a stellar year for the beef complex. The economic recession, high unemployment, and relatively abundant supplies of pork and poultry have had a significant adverse impact on domestic beef demand. The worldwide extent of the economic downturn and its impact on international demand for U.S. beef and the U.S. dollar, combined with ongoing effects from North American BSE cases, have resulted in limited export growth of U.S. beef.

While weekly cow slaughter has remained mostly above 5-year-average levels thus far in 2009, it has exceeded 2008 levels only intermittently after being above 2008 levels for most of the first quarter. Except for early in 2009, beef cow slaughter remained below 2008 levels and only recently again exceeded 2008 levels. On the other hand, dairy cow slaughter exceeded both 2008 and 5-year levels for most of 2009, falling below only during some weeks in spring and early fall. These levels of dairy cow slaughter can be attributed to low milk prices and several rounds of Cooperatives Working Together program whole-herd buyouts.

More recently, cows have made up a significant proportion of total U.S. commercial cattle slaughter, averaging 21 percent of the slaughter mix for November 1 through November 28. During the same period, steers were averaging about 46 percent of the slaughter mix, compared with their more typical 50 percent. This increased proportion of cows in the slaughter mix, especially the generally lighter weight beef cows--which were well represented in the slaughter mix--has tended to reduce average dressed weights.

While heifers accounted for close to their typical 30 percent of the total commercial slaughter mix, their share of feeder cattle placements, ultimately for slaughter, is larger. The heifer share of cattle placed on feed has been generally increasing, year-over-year, on a quarterly basis, since 2005. More heifers can be placed on feed when fed cattle prices increase to levels at which producers trade current profits for future profits, as they did in mid-2003 when BSE disrupted the flow of beef and cattle from Canada at a time when U.S. inventories were at low levels. More heifers can also be placed on feed when the profit picture is sufficiently dismal to discourage herd-inventory maintenance or building, as appears to be the case at present. Drought can also result in the placement of heifers in feedlots.

The heifer share of feeder cattle placements on feed has implications for future cow inventories, calf crops, and beef production. As more heifers are placed on feed, two things can happen: short-term beef production can increase, and replacement heifer inventories can decline. In the absence of increased demand for beef, increased beef production can translate into lower prices throughout the beef/cattle complex. Reduced inventories of replacement heifers can lead to reduced cow inventories, calf crops, and fed cattle inventories for several years, which can translate into higher prices in the beef/cattle complex over the longer term. The fallout from these multi-year biological lags contributes to the inventory dynamics referred to as cattle cycles. Other factors, like drought, macroeconomic gyrations, and animal disease outbreaks, can shorten or lengthen inventory cycles.

Despite the high proportion of cows in the slaughter mix this year, average dressed weights of all cattle, which ordinarily peak about mid-October, appear to be declining seasonally, but signals are mixed. This suggests that steer weights, which have been above both year-earlier and 5-year-average levels until recently dropping below 2008 levels, may not be decreasing as rapidly as the first couple of weeks of decline might suggest. Heavier weights contribute to beef supplies, as may a disproportionate number of heavy cattle from the Central Plains and Corn Belt—which also tend to be heavier than their southern counterparts—in the slaughter mix.

Despite earlier expectations for reduced supplies of feeder and fed cattle and at least periods of higher cattle prices, lackluster domestic and international demand for beef has resulted in pressure on feeder and fed cattle prices throughout 2009. Feeder cattle prices in 2009 have remained below 2008 levels, and, with few exceptions, both years were below 5-year averages. Fed cattle prices in 2009 have also been below 2008 levels and below 5-year averages, although prices in 2008 enjoyed a period of relatively higher levels during late spring, summer, and early fall. The lower feeder cattle prices and relatively lower, at least compared with year-earlier, prices for corn have not been enough to establish positive feeding margins in 2009 other than during April and July, and reached only near-breakeven levels during June and November. While most months showed negative feeding margins in a broad range of around \$50-\$60 per head, these followed January 2009 losses in the \$300-per head range (High Plains Cattle Feeding Simulator: <http://www.ers.usda.gov/Publications/LDP/xlstables/CattleFeedingSim.xls>).

Ordinarily, higher byproduct values allow packers to bid more for cattle. Byproduct values have risen more than 70 percent from their low in March-April 2009. However, these are not ordinary times, and demand for beef is such that even positive or near-positive packer margins are not enough to motivate increased slaughter beyond an occasional year-over-year increase in weekly slaughter levels. As a result, total federally inspected cattle slaughter has remained below year-earlier levels for most of 2009, with year-to-date estimated cumulative slaughter running almost 4 percent below 2008 levels through the second week in December.

Except for a brief period early in the year, 2009 weekly Choice cutout values have remained below both 2008 levels and 5-year averages. With a few more exceptions scattered throughout the year, the same has been true for weekly Select cutout values. So far in 2009, between 61 and 65 percent of graded carcasses were graded Choice or better, higher than levels in 2008, and averages in both years were above the 5-year average. The weekly Choice-Select spread has ranged generally close to year-earlier levels and well below 5-year-average levels, until recently dropping below both 2008 and the 5-year average.

Retail prices were slow to reflect wholesale beef price declines. Retail prices for Choice beef started the year at monthly record levels, which held until June when prices dropped below 2008 levels. September prices dropped below 2007 prices, and prices through October remained below both 2008 and 2007 levels. There is little reason to expect retail prices to recover for the rest of 2009.

Sales to Asian Markets Improve U.S. Beef Export Outlook in 2009 and 2010

The United States is forecast to export 1.846 billion pounds of beef in 2009, a 2-percent decline from last year, but an improvement from the outlook earlier in 2009. Through October, year-to-date U.S. beef exports are more than 5 percent below 2009. However, strong sales to Japan, Hong Kong, Vietnam, and Taiwan, as well as improving sales to South Korea, have helped buoy exports against declines in the two largest export markets, Canada and Mexico. In 2010, beef exports are expected to increase almost 8 percent, as a weak U.S. dollar will make U.S. beef relatively less expensive in the recovering global economy.

U.S. beef imports this year are expected to be 2.703 billion pounds, a 6.5-percent increase from 2008. The strong U.S. dollar earlier in the year, combined with weak economic conditions in competing markets, resulted in large quantities of beef imports from Australia. However, imports have declined as the weakened dollar has made foreign beef relatively more expensive. In 2010, U.S. beef imports are expected to increase 3 percent.

Live Cattle Imports from Mexico Improve in Fourth Quarter

The United States is expected to import 1.9 million head of cattle in 2009, a 17-percent decrease from last year. Canada and Mexico, the two significant foreign markets for live cattle, have different outlooks. Good weather conditions this summer and fall that kept cattle in Mexico have led to an increase in imports in recent weeks, as conditions are now becoming drier. In contrast, U.S. imports from Canada have been much lower than in the past few years, as lower beef demand in the United States and a stronger Canadian dollar have taken away the higher potential returns for Canadian producers marketing in the United States.

According to weekly AMS reports, U.S. live cattle imports from Mexico have been strengthening since early November. Most Mexican cattle are imported into the United States in the fourth quarter as pasture in Mexico begins to deteriorate seasonally, and are marketed to U.S. stocker operations and feedlots. After more-than-adequate rainfall in late summer and early fall in Mexico, drier conditions in November likely initiated the increase of Mexican cattle entering the U.S. market. Through October, year-to-date imports are 40 percent higher than 2008, which was an exceptionally low year due to unusually good weather conditions in Mexico. Year-to-date imports are 19 percent lower than 2007 imports, which is a more comparable year in terms of weather conditions.

In 2009, the United States has seen fewer cattle imported from Canada, relative to the past couple of years. Through October, year-to-date imports are 35 percent lower than 2008. Decreased demand for beef in the United States and a relatively strong Canadian dollar have led to smaller returns for Canadian producers considering marketing their feeder or fed cattle in the United States. Typically, stronger demand for cattle in the United States and a better return with a stronger U.S. dollar provide incentives for Canadian producers to market in the United States. According to weekly AMS reports, the price difference between Canadian and U.S. markets—in U.S. dollar terms—is the smallest in 3 years.

As a result, fewer Canadian cattle have been exported to the United States this fall, particularly feeder cattle.

Even with concerns of dry weather in prominent Canadian cattle feeding regions and the threat of low forage supplies, indications are that more feeder cattle are staying in Canada. CanFax reports show increased feedlot inventories in Alberta and Saskatchewan relative to last year's levels. Feedlot placements were weaker in the spring months compared with the same months in previous years, perhaps as significant changes in exchange rates affected the prices of imported feedstuffs and the potential returns for exported cattle and beef. Consequently, marketings in Canada have begun to trend downward in the fourth quarter. This should continue through the duration of this year and into the first quarter of 2010. However, the increased placements this fall should result in more Canadian production, and potentially more exports, by the second quarter of 2010.

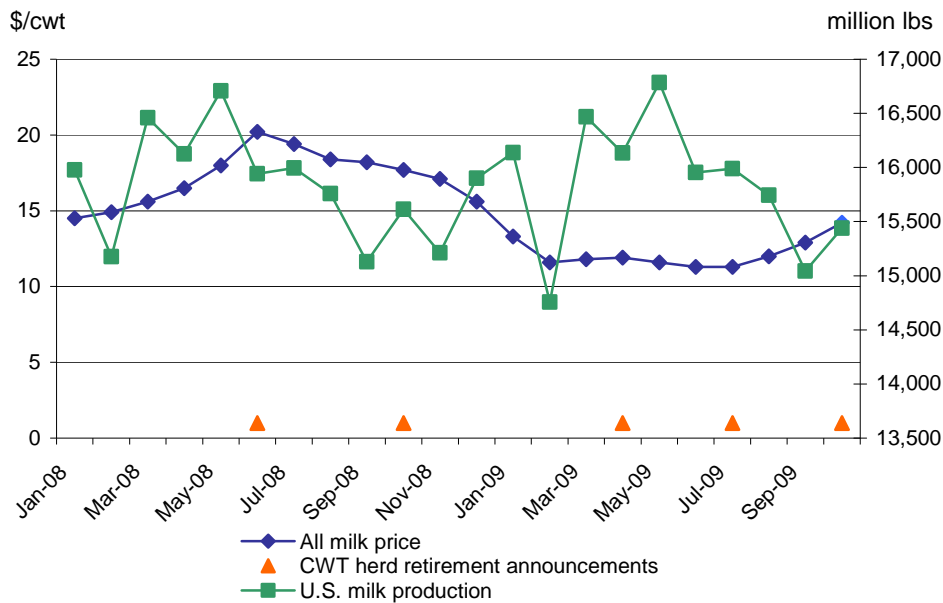
Effects of the 2008-2009 Cooperatives Working Together Herd Retirements on Milk Production and Cow Slaughter, and Near-Term Effects of Sexed Semen Technology

By Rachel J. Patton

The Cooperatives Working Together (CWT) herd retirement program is one element of a voluntary industry-led initiative available to dairy producers, intended to provide support for milk prices by removing milk cows from production (<http://www.cwt.coop/>). Depressed milk prices prompted five “rounds” of CWT herd retirements during 2008-09. Two rounds occurred in the second half of 2008 and, with the October 1, 2009 announcement of another herd retirement, three rounds will have occurred in 2009. According to the CWT, the first two CWT rounds in 2009 led to the removal of 175,153 dairy cows representing about 3.5 billion pounds of milk production. The announcement of accepted bids in the third 2009 round on October 15 indicated that just over 26,000 more cows will be retired in 2009. Totals from the 2008-2009 series of retirements reported by the CWT are over 250,000 dairy cows and 5 billion pounds of milk removed from production, equivalent to about 2.7 percent of annual output. The purpose of this article is to explain why the CWT may have less effect than expected on both milk production and dairy cow slaughter prices. Because CWT is a whole herd buyout, new technology like sexed semen did not have a major impact in short run expansion because new facilities will be required as CWT has removed farms from the dairy industry.

The CWT buyouts have contributed some price support for dairy producers during 2009. An independent economic analysis indicated that milk prices have increased by \$1.54 per cwt as a result of CWT activities that included both herd buyouts and dairy product export assistance (http://www.cwt.coop/impact/impact_index.html). The dairy herd is expected to continue to decrease and is forecast to fall below 9 million head during 2010, making it one of the smallest herds in recent years. However, milk production is forecast to only decline by less than half a percent in 2009 from 2008. And, although the all milk price is forecast to increase to \$14.95-15.15 per cwt for the fourth quarter of 2009 and to \$16.35-17.15 per cwt for 2010, prices are still below estimated costs of milk production for many producers, not as high as many in the industry had hoped. While the buyout-induced decline in milk production has not been as significant as many in the industry would have preferred, the effect on prices of culled animals has also not been as depressing as some in the beef cow sector have feared.

All milk price and U.S. milk production, 2008-2009



Source: USDA, National Agricultural Statistics Service.

In the absence of a removal program dairy producers typically cull about one-fourth of their cow herds, as indicated by a 2007 AHPIS survey, (http://nahms.aphis.usda.gov/dairy/dairy07/Dairy2007_PartIII_rev.pdf) and mostly replace them with heifers that have calved. Dairy cows are culled for reasons associated with their inability to profitably produce high-quality milk and calves. Milk fat production begins to decline when cows reach their prime, at about 6 years of age (Tyler and Ensminger, *Dairy Cattle Science*, p. 217); thus, cows tend to be culled when their productivity begins to decline after 3 or 4 lactations, or when they are 5 to 6 years old. Reproductive and udder/mastitis problems are also significant reasons dairy cattle are culled.

However, the impact of low milk prices would likely have driven some producers to increase culling or exit the industry by liquidating entire herds in the absence of CWT. The average rate of change in January 1 dairy cow inventories since 1965 has been a decline of 1.3 percent over a range of changes from a maximum decline of almost 6 percent (1966) to a gain of just over 3 percent (1986). According to NASS January 1 dairy cow inventory data, dairy cow inventories have increased every year the CWT program has been a factor since its inception in 2003 except 2004, when the net decline was 154,500 cows. The dairy herd is forecast to decline in 2009, a situation that was expected prior to any 2009 CWT announcements (see *Livestock Dairy and Poultry Outlook M-177*, March 18, 2009). The effect of the CWT herd buyout on dairy cow inventories is likely less than the number of cows actually “bought out,” as a proportion of these animals would have been culled due to economic conditions.

A second reason that milk production and dairy cow slaughter may have been less than expected as a result of the CWT culling is that to the extent that each successive CWT herd buyout was expected to provide stronger milk prices, incentive existed for nonparticipating producers to increase or maintain production at the higher expected prices. Production practices might have been altered to be more in line with higher anticipated, but ultimately never realized, prices than those that would typically be seen in a period of oversupply.

Finally, a third reason that milk supply may not have declined as much as expected is because typically the less productive cows are culled. Year-over-year increases in milk per cow have been maintained in 2009 at a rate near to increases of the past 20 years. For all of 2009, production per cow is forecast to be 20,553 lbs, up from 20,396 lbs in 2008. When calculated on a daily basis, accounting for the extra milking day (leap year) in 2008, output per cow is forecast to increase from 55.7 lbs per day in 2008 to 56.4 lbs per day in 2009. This 1.3 percent year-over-year increase is below the 1.8 percent average since 1989, and may be more than many expected, given that milk prices failed to cover feed costs for producers in much of the country from fall 2008 until fall 2009.

There have been concerns that increased use of sexed semen technologies may partially offset the intended milk production-reducing effects of the recent CWT herd buyouts (or any other culling actions) due to fears of additional heifers being introduced into the dairy herd. However, sexed semen is a longer term issue and did not have an impact on offsetting CWT removals on short-run expansion. While the use of sexed semen can increase the number of heifers from which replacements could be selected, it is not likely to have a great near-term impact on milk production or milk prices.¹ There are two reasons for this: The CWT was a whole herd buyout and facility expansion would be necessary for major expansion. In addition, it takes about 3 years between the time that a cow is impregnated until the calf is producing milk. Nevertheless, in the longer term, with circumstances of high milk prices and high replacement cow prices and/or decreasing costs associated with the technology, widespread use of sexed semen could become a greater factor in milk supply, particularly if heifers with greater genetic merit are a consequence of improvements in the technology.

¹ Sexed semen technologies have been commercially available in the dairy industry for the last few years. The sorting method allows female sperm to be separated from male sperm. Milk producers using the technology increase the chances of obtaining heifer calves to 90 percent of the calf crop, from a naturally expected 50 percent. Conception rates are about 25 percent lower with sexed semen and breeding costs are roughly four times that of conventional semen (De Vries, 2009: *The Economics of Sexed Semen in Dairy Heifers and Cows*; Fetrow, Overton, and Eicker, 2007: *Sexed Semen: Economics of a New Technology*). These negatives are likely to undermine a more widespread commercial use until the financial returns to dairy increase sufficiently to more than cover the increased net costs.

Mature Sheep Slaughter Higher than Normal

Effects of the economic downturn continue to reverberate through the sheep and lamb industry. Despite stabilizing feed prices, lower-than-normal demand for lamb has affected lamb prices and appears to have weighed heavily on producer decisions concerning liquidation. Although each year's third quarter is when the culling rate, as indicated by increased mature sheep slaughter, is generally higher than in the other quarters, this year, the culling rate was higher than normal and has been extended well into the fourth quarter. Third-quarter 2009, Federally Inspected mature sheep slaughter was 42,000 head, 11,500 head above the same period last year. Fourth-quarter mature sheep slaughter is expected to exceed 10 percent of total slaughter (typically fourth-quarter mature sheep slaughter is less than 5 percent of total slaughter). October 2009 mature sheep slaughter was 23,000 head, 11.6 percent of total slaughter, the highest recorded mature sheep slaughter since October 1996 when total Federally Inspected sheep and lamb slaughter was more than 100,000 head higher. November mature slaughter is forecast at 10 percent of total Federally Inspected sheep and lamb slaughter.

The high rate of mature slaughter suggests that the 2010 breeding inventory could be down significantly and, by extension, so too would be the number of market animals in 2010. A 2010 economic recovery and a rebound in lamb demand could find the already-tight domestic supplies being even tighter. While this bodes well for a recovery in domestic lamb prices, imports could be increased significantly to make up for the shortfall in supplies of domestic lamb. Third-quarter 2009 commercial lamb and mutton production was 42 million pounds, equaling third-quarter 2008 quantities. Fourth-quarter 2009 commercial lamb and mutton production is expected to increase slightly to 43 million pounds, capping off a year where no quarterly seasonality was exhibited in domestic lamb and mutton production.

Third-quarter 2009 Choice slaughter lamb prices at the San Angelo, Texas market averaged \$88.35 per cwt, slightly below the same period a year earlier. The San Angelo prices have been fairly stable to date during 2009, and are expected to remain relatively stable for the fourth quarter due to tight supplies. Fourth-quarter 2009 prices at San Angelo are expected to average near \$90-91 per cwt.

Imports Plummet in 2009

The weak U.S. demand, coupled with a weak U.S. currency, has affected imports. Third-quarter 2009 imports were 28 million pounds, down 26 percent from the same period last year and third-quarter imports since 1999. Imports for fourth-quarter 2009 are expected to rebound from the third-quarter lows, beginning with imports for October coming in at 13 million pounds, up 9 percent from the same period last year. Fourth-quarter 2009 imports are forecast at 45 million pounds, 4 percent below the same period in 2008. Imports for the year are forecast to be down about 7 percent from 2008.

Third-quarter 2009 lamb and mutton exports were 4 million pounds, up over 19 percent from the same period in 2008. Exports for October were up 115 percent from October 2008, coming in at 1.7 million pounds. The export strength is likely correlated to the high rate of mature slaughter. Exports for fourth-quarter 2009 are forecast at 4 million pounds, equaling the same period in 2008.

Slightly Less Milk Production and Firm Global Demand Combine To Raise 2010's Milk Price Forecast

Feed costs have fallen substantially in 2009, but are unlikely to fall as much next year. The benchmark 16-percent protein ration value is projected to average in the mid-\$7.00 per cwt range this year compared with over \$9.00 per cwt in 2008. In 2010, the price should continue to fall, but not by nearly as much. Falling soybean meal prices will constitute a large share of the drop. Corn prices for the 2009/10 crop year are forecast to decline to \$3.25 to \$3.85 per bushel compared with the 2008/09 crop year average of \$4.06 per bushel. Soybean meal prices are forecast to decline from \$331 per ton average in 2009/10 to a forecast \$260, with \$310 per ton in 2010/11.

The U.S. dairy herd is forecast to continue to contract in 2010, with most of the herd reduction coming in early 2010 and attenuating later in the year. The U.S. dairy herd is expected to average 8.97 million next year and is expected to average below 9 million cows in each of the four quarters of 2010. The forecast decline in herd size will represent a 2.5-percent decline year-over-year. This decline follows a 1.3-percent decline in 2009. In contrast, milk production per cow is forecast to rise to 20,950 pounds, a 1.84-percent year-over-year increase and slightly ahead of the 5-year-trend increase. In light of lower feed prices and improving milk prices, the short-term response is to produce more milk per cow as rations are improved. This will occur before producers undertake any herd expansion, which requires investment in livestock.

Commercial disappearance is forecast to rise by less than half-a-percent next year on a fat basis and to be virtually unchanged from 2009 on a skims-solids basis. World markets remain firm, and the export forecast remains unchanged from last month. Product exports are projected to continue to rise next year, especially for nonfat dry milk (NDM) and whey products. Exports of NDM will help draw down stocks next year on a skims-solids basis, but stocks on a fats basis will be drawn down less. Imports are forecast to decline slightly next year on a fats basis but to rise slightly on a skims-solids basis.

Product prices across the board will be higher next year. Cheese prices will likely average \$1.290 to \$1.300 per pound in 2009 and rise to average \$1.615 to \$1.695 per pound in 2010. Butter prices are projected to average \$1.195 to \$1.225 per pound and average \$1.430 to \$1.540 per pound next year. After averaging 91.0 to 93.0 cents per pound this year, NDM prices are forecast to climb to average \$1.245 to \$1.305 per pound in 2010. Whey prices are projected to average 25.5 to 26.5 cents per pound in 2009 and rise to 35.0 to 38.0 cents per pound next year.

The higher price prospects for dairy products both this year and next will boost milk prices as well. After averaging \$11.30 to \$11.40 per cwt in 2009, Class III prices are forecast to rise to average \$15.15 to \$15.95 per cwt next year. Likewise, Class IV prices are expected to climb from \$10.75 to \$10.95 in the current year to average \$14.60 to \$15.50 per cwt in 2010. The all milk price is expected to average \$12.70 to \$12.80 this year and rise to average \$16.35 to \$17.15 in 2010.

Broiler Meat Production Falls in October

Broiler meat production totaled 3.06 billion pounds in October, down 6.3 percent from the previous year. Much of the decline in meat production is due to 1 less slaughter day in October 2009 compared with the previous year. Over the first 10 months of 2009, broiler meat production has declined steeply, with only March showing a slight increase. The total for the January – October 2009 period was 29.7 billion pounds, 5 percent lower than in the same period a year earlier. In October the number of birds slaughtered fell 7.1 percent from the previous year. This decrease was partially offset by a small increase in the average live weight of birds at slaughter, up 0.4 percent to 5.67 pounds. With the lower than expected production in October and chick placements still below year-earlier levels, the broiler meat production estimate for fourth-quarter 2009 was lowered by 100 million pounds to 8.85 billion. The meat production estimates for all four quarters of 2010 were also reduced, resulting in a new annual total of 35.9 billion pounds, up 1 percent from 2009.

The number of chicks being placed weekly for growout is now approaching the level of 2008. The difference between the numbers of chicks placed for growout in the last several weeks and during the same period the previous year is now averaging less than 1 percent. With only a small difference in chick placement, even a small increase in average bird weight at slaughter could translate into a small year-over-year increase in broiler meat production starting in the first quarter of 2010. Over the last 5 weeks (Nov. 7 to Dec. 5, 2009), the number of chicks placed for growout averaged 0.4 percent lower than the same period in 2008. The number of broiler chicks hatched in October 2009 was 728.9 million, down 1.6 percent from the previous year, but the smallest year-over-year decline since June 2008.

Cold storage holdings of broiler products at the end of third-quarter 2009 were revised slightly to 613 million pounds. This is down 20 million pounds from the end of the second quarter and is 16 percent lower than third-quarter 2008 ending stocks. Stocks are expected to gradually decline during the fourth quarter as production declines reduce overall supplies. The estimate for fourth-quarter 2009 ending stocks was revised downward to 610 million pounds, 135 million pounds lower (18 percent) than a year earlier. At the end of October 2009 stock levels were lower for almost all broiler products compared with the previous year. With the downward revision in production, broiler product stock levels were also lowered for all four quarters in 2010. Stock levels are not expected to be significantly higher than those of 2009 until later in 2010.

In fourth-quarter 2009, the broiler industry is expected to have slightly lower production, smaller exports, and a strong decline in cold storage stocks, compared with the previous year. Normally, lower production and stock levels would gradually put upward pressure on most broiler prices, but adverse economic conditions have offset these factors by lowering overall demand. Fourth-quarter 2009 prices for whole birds are expected to average 71 to 72 cents per pound, down about 10 percent from a year earlier.

Broiler Exports Fall in October

In October, total broiler exports totaled 624 million pounds, down 4.9 percent from the previous year, but higher than had been expected. Much of the year-over-year decline was due to lower shipments to countries such as the Ukraine, Angola, Lithuania, and the UAE, that were mostly offset by higher shipments to Russia, 192 million pounds, up 29 percent. Over the first 10 months of 2009, broiler exports have totaled 5.75 billion pounds, down 2 percent from the same period in 2008. The largest sources of the decline have been Russia (down 220 million pounds or 13 percent) and the Ukraine (down 182 million pounds or 53 percent). Total exports for fourth-quarter 2009 are forecast at 1.6 billion pounds.

October Turkey Production Falls Sharply

Turkey meat production in October totaled 507 million pounds, down 12.8 percent from October 2008. The decrease was the result of an 11.7-percent decline in the number of birds slaughtered, partially due to 1 less slaughter day and a 1.5-percent fall in the average weight of birds at slaughter, to 28.4 pounds. The year-over-year decrease in turkey meat production in October continues the pattern of production declines seen during the first 9 months of 2009. To date (January to October), turkey production has totaled 4.7 billion pounds, 9.9 percent below the same period in 2008.

Even with the lower exports seen to date and adverse economic conditions, the continued year-over-year declines in production have gradually reduced turkey stocks. The data for the end of October showed whole bird stocks at 299 million pounds, down 3.7 percent from a year earlier. Whole turkey stocks had started 2009 at 194 million pounds, 98 percent higher than the previous year. Monthly stock levels remained higher than the previous year through September, but have now moved below year-earlier levels. Stocks of turkey parts were estimated at 212 million pounds at the end of October, down 21 percent from a year earlier. With lower turkey production expected in the fourth quarter, total turkey ending stocks for 2009 were reduced to 350 million pounds, 12 percent less than the previous year. With lower production also expected in 2010, the quarterly cold storage estimates for turkey products are expected to remain below 2009 levels.

After being lower than a year earlier over the first 11 months of 2009, prices for whole hens in the Eastern market are expected to be higher in December as declining whole bird stocks over the last several months have placed upward pressure on prices. With lower production and stock levels now below year-earlier levels, prices for whole turkeys are expected to average 83 to 84 cents per pound in fourth-quarter 2009, still down 4 percent from the previous year, but significantly higher than expected earlier. Even with this year-end strengthening, the annual price for 2009 is expected to average 79.5 cents per pound, declining 9 percent from 2008 after rising for 5 consecutive years.

Over the first 10 months of 2009, the number of turkey poults placed for growout has totaled 231 million, down 8 percent from the same period in 2008. The size of the year-over-year differences has been declining in recent months, but the lower poult placements definitely point toward continued declines in turkey production through at least the first half of 2010.

Turkey Exports Down Sharply

October turkey exports fell by 32 percent to 49 million pounds, continuing the trend of much smaller turkey exports over the first 9 months of 2009. As in previous months, much of the decline is due to smaller shipments to Mexico. In October, shipments to Mexico were only 21 million pounds, down 42 percent from the previous year. Shipments to Canada, China, and Hong Kong were also down significantly. Fourth-quarter 2009 turkey exports are forecast at 145 million pounds, a 20-percent decline from the same period in 2008. With the current weakness in the Mexican economy, the 2010 turkey export forecast is for only a 2-percent increase in shipments to all destinations.

Table Egg Production Continues Higher

The table egg laying flock in October was estimated at 280 million hens, 0.8 percent above the previous year. Year-over-year table egg flock numbers have been mixed so far in 2009, with the flock size up in 6 months and lower in 3, and 1 month where the size showed no change. The table egg flock is expected to remain higher than the previous year through the remainder of 2009, although only by a small amount. At the beginning of November the estimate of the table egg flock was up, but under 1 percent. The number of birds in the table egg flock is expected to expand slightly in 2010 in response to gradually increasing wholesale egg prices in the second half of 2009, but incentives to expand production will be tempered by concerns about the impacts of continued high unemployment rates and economic uncertainties on demand.

Table egg production has been higher than the previous year in 9 of the first 10 months of 2009. In October production was 553 million dozen, an increase of 1.5 percent from the previous year. Even with the higher production, table egg prices have been increasing recently. The fourth-quarter 2009 wholesale price in the New York market is forecast at between \$1.16 and \$1.19 per dozen, up considerably from earlier estimates as November and early December prices rapidly moved higher. Based on the strong prices in December, the price estimates for the first and second quarters of 2010 were also increased.

Egg Exports Higher

Unlike broiler and turkey meat, exports of eggs and egg products have been higher so far in 2009. In October, shipments were the equivalent of 26.8 million dozen eggs, up 49 percent from October 2008. October exports were higher to Canada, Hong Kong, and even Japan. Shipments to Japan had been down sharply over the first 9 months of 2009. However, the largest increase was in shipments to Germany, up 369 percent to 4 million dozen. Over the first 10 months of 2009, exports of eggs and egg products have been the equivalent of 196 million dozen eggs, 12 percent higher than the same period in 2008. Much of the increase has come from sharply larger shipments to Canada and Hong Kong, two of the top U.S. export markets.

Hog Prices, Pork Demand, Show Signs of Increasing

Fourth-quarter hog prices are typically the lowest of the year. This is true because it is during the October-December period when most of the spring pig crop—typically the largest of the year—is slaughtered: quantity of hogs available for supply increases, price paid for hogs decreases. This year, however, a smaller spring breeding herd resulted in 2.65 percent fewer sows being farrowed than in spring 2008. Fewer farrowings were largely offset by more pigs per litter. The marginally smaller pig crop plus significantly lower imports of Canadian swine will hold available supplies of slaughter hogs below fourth-quarter 2008 and fourth-quarter pork production at levels slightly below a year ago.

The smaller supply of slaughter hogs available this year is showing up in the relationship between third- and fourth-quarter hog prices. In the last 30 years, fourth-quarter hog prices have averaged more than 12 percent below third-quarter prices. The USDA hog price forecast places the fourth-quarter price of 51-52 percent lean live equivalent hogs at \$39-\$40, 1.5 percent above third-quarter hog prices. While still considerably below most hog producers' production costs, year-over-year higher prices suggest a welcome tightening of hog supplies.

Stronger pork demand may also be contributing to stronger fourth-quarter hog prices. The USDA estimated carcass cutout for November was 2.7 percent higher than a year ago. The last month in 2009 where wholesale pork prices were year-over-year higher was March, when the cutout price was 0.6 percent greater than in March 2008. In the first 10 months of 2009, wholesale pork prices have averaged nearly 18 percent below prices in 2008. Year-over-year higher wholesale prices for picnics, ribs, hams, and trimmings are currently driving the cutout higher. Increasing prices for picnics and trimmings, in particular, suggest export interest.

Fourth-quarter 2009 exports are expected to be year-over-year higher for the first time this year, at 1.175 billion pounds. Exports in 2010 are expected to be 4.6 billion pounds, 10.2 percent higher than this year, and just shy of the all-time high-water mark in 2008 of 4.7 billion pounds. For the balance of this year, and on into 2010, the relatively low-valued U.S. dollar and the nascent economic recovery in primary U.S. export markets of North America and Asia are expected to support higher 2010 exports.



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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/>
Dairy, <http://www.ers.usda.gov/briefing/dairy/>
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U.S. red meat and poultry forecasts

	2004		2005		2006		2007 ^{1/}					2008					2009					2010						
	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	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	6,340	25,879	6,135	6,570	6,540	25,485		
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	6,055	23,052	5,685	5,335	5,430	22,410		
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	42	168	42	40	40	163		
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	8,574	8,937	9,172	8,850	35,533	8,600	8,975	9,250	35,900		
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	1,430	1,475	5,697	1,350	1,400	1,425	5,675		
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	22,213	22,652	23,187	22,924	90,976	21,972	22,479	22,845	90,278		
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	1,594	1,600	1,612	1,655	6,461	1,600	1,610	1,625	6,495		
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	61.3	14.6	15.5	15.1	59.6		
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	12.8	49.9	12.0	11.3	11.3	46.8		
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	0.3	0.2	0.2	1.0		
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	20.7	20.0	80.1	19.3	20.4	21.0	81.0		
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	5.1	16.7	3.5	3.9	3.9	16.4		
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	51.5	52.4	53.4	53.2	210.6	50.0	51.8	51.9	52.7		
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	61.4	61.4	63.2	248.0	61.4	61.5	61.9	247.8		
Market prices																												
Choice steers, Neb., \$/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	80.98	84.53	82.78	83-84	82-95	83-87	85-93	87-95	86-93		
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	92.83	98.63	99.40	94-95	96.34	96-100	96-104	101-109	99-107		
Boning utility cows, S. Falls, \$/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	46.42	49.46	47.51	44-45	46.97	46-50	47-51	49-53	48-52		
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	90-91	90.11	88-94	86-92	86-92	88-92		
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	42.74	38.90	39-40	40.81	40-42	43-47	47-51	43-46		
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	71-72	77.50	74-78	75-81	77-83	75-81		
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	82-83	79.50	74-78	79-85	81-87	79-85		
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	103-107	99.80	102-108	97-105	96-104	99-107		
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	495	1,843	450	520	520	1,985		
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	625	2,703	680	745	705	2,795		
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	28	45	175	52	44	39	184		
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	1,175	4,176	1,100	1,100	1,150	4,600		
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	210	230	841	225	215	220	900		
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	1,600	6,727	1,550	1,550	1,575	6,300		
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	145	536	120	125	145	545		
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	1,450	6,343	1,350	1,350	1,350	5,400		

^{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

	2008			2009					2010			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,330	9,330	9,315	9,295	9,260	9,158	9,075	9,197	8,995	8,975	8,965	8,969
Milk per cow (pounds)	5,025	5,008	20,396	5,096	5,278	5,107	5,090	20,571	5,200	5,385	5,190	20,950
Milk production (bil. pounds)	46.9	46.7	190.0	47.4	48.9	46.8	46.2	189.2	46.8	48.3	46.5	187.9
Farm use	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	1.1
Milk marketings	46.6	46.5	188.9	47.1	48.6	46.5	45.9	188.1	46.5	48.1	46.3	186.8
Milkfat (bil. pounds milk equiv.)												
Milk marketings	46.6	46.5	188.9	47.1	48.6	46.5	45.9	188.1	46.5	48.1	46.3	186.8
Beginning commercial stocks	13.6	11.5	10.4	10.0	12.6	14.4	13.6	10.0	10.8	12.2	12.8	10.8
Imports	0.7	1.5	3.9	0.9	1.0	1.0	1.4	4.3	1.0	1.0	1.0	4.2
Total supply	60.9	59.5	203.2	58.1	62.3	61.9	60.9	202.5	58.3	61.3	60.0	201.9
Commercial exports	2.4	1.5	8.7	1.0	1.1	1.0	1.0	4.1	1.3	1.3	1.2	4.8
Ending commercial stocks	11.5	10.0	10.0	12.6	14.4	13.6	10.8	10.8	12.2	12.8	11.3	9.0
Net removals	0.0	0.0	0.0	0.1	-0.1	0.1	0.5	0.6	0.2	0.1	0.0	0.3
Commercial use	47.0	47.9	184.4	44.3	46.9	47.2	48.6	186.9	44.5	47.1	47.6	187.7
Skim solids (bil. pounds milk equiv.)												
Milk marketings	46.6	46.5	188.9	47.1	48.6	46.5	45.9	188.1	46.5	48.1	46.3	186.8
Beginning commercial stocks	10.8	10.4	9.9	10.9	11.4	12.3	11.4	10.9	10.2	9.8	10.0	10.2
Imports	0.8	1.2	3.7	0.9	0.9	0.9	1.2	3.8	1.0	1.0	0.9	4.0
Total supply	58.2	58.0	202.6	58.9	60.9	59.7	58.5	202.8	57.7	58.8	57.2	201.1
Commercial exports	6.9	5.5	26.6	5.1	5.6	5.7	5.7	22.1	6.2	6.2	6.6	25.5
Ending commercial stocks	10.4	10.9	10.9	11.4	12.3	11.4	10.2	10.2	9.8	10.0	9.2	8.7
Net removals	0.0	1.3	1.3	1.1	1.0	0.5	0.4	2.9	0.0	-0.3	-0.3	-0.6
Commercial use	40.9	40.4	163.8	41.2	42.1	42.5	42.5	168.2	42.0	42.9	41.7	167.8
Milk prices (dol./cwt) 1/												
All milk	18.63	16.80	18.29	12.23	11.60	12.07	14.95	12.70	15.95	15.90	16.35	16.35
							-15.15	-12.80	-16.45	-16.70	-17.35	-17.15
Class III	17.28	15.95	17.44	10.18	10.20	11.09	13.73	11.30	14.39	14.90	15.41	15.15
							-13.93	-11.40	-14.89	-15.70	-16.41	-15.95
Class IV	16.23	12.07	14.65	9.56	10.06	10.56	13.13	10.75	14.44	14.27	14.76	14.60
							-13.43	-10.95	-15.04	-15.17	-15.86	-15.50
Product prices (dol./pound) 2/												
Cheddar cheese	1.869	1.804	1.895	1.236	1.193	1.249	1.486	1.290	1.542	1.593	1.637	1.615
							-1.506	-1.300	-1.592	-1.673	-1.737	-1.695
Dry whey	0.243	0.186	0.250	0.164	0.232	0.294	0.332	0.255	0.345	0.345	0.355	0.350
							-0.352	-0.265	-0.375	-0.375	-0.385	-0.380
Butter	1.575	1.527	1.436	1.097	1.197	1.194	1.332	1.195	1.373	1.395	1.482	1.430
							-1.372	-1.225	-1.453	-1.505	-1.612	-1.540
Nonfat dry milk	1.334	0.904	1.226	0.823	0.833	0.892	1.120	0.910	1.250	1.220	1.235	1.245
							-1.140	-0.930	-1.290	-1.280	-1.305	-1.305

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/dyfmoms/mib/fedordprc_dscrp.htm

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

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