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# Livestock, Dairy, and Poultry Outlook

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## Cow Herd Liquidation Continues

### Contents

[Beef/Cattle](#)  
[Beef/Cattle Trade](#)  
[Pork/Hogs](#)  
[Poultry](#)  
[Poultry Trade](#)  
[Sheep/Lamb](#)  
[Dairy](#)  
[Contacts and Links](#)

### Tables at a Glance

[Red Meat and Poultry](#)  
[Dairy Forecasts](#)

### Web Sites

[Animal Production and  
Marketing Issues](#)  
[Cattle](#)  
[Dairy](#)  
[Hogs](#)  
[Poultry and Eggs](#)  
[WASDE](#)

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Tables will be released  
on Dec 28, 2010

The next newsletter  
release is Jan 19, 2010  
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Approved by the  
World Agricultural  
Outlook Board

**Beef/Cattle:** Cow slaughter continues at high rates, given the cow inventory base, which along with a high ratio of heifer-to-steer slaughter implies continued liquidation. Feeder cattle continue to be placed in feedlots in year-over-year larger numbers, despite lower supplies of feeder cattle outside feedlots.

**Beef/Cattle Trade:** U.S. beef exports for 2010 are forecast at 2.3 billion pounds, just under the forecast for beef imports of 2.36 billion pounds. The United States should be a net beef exporter in the fourth quarter of this year, exporting and importing 650 and 500 million pounds, respectively. Year-over-year cattle imports remain strong, 16 percent higher than 2009, as large numbers of Mexican cattle crossed the border weekly in November and early December.

**Pork/Hogs:** USDA lowered hog prices in response to some apparent softening of demand for pork. Despite the reductions, average fourth-quarter prices are likely to remain more than 20 percent above fourth-quarter hog prices in 2009. Commercial pork production next year is expected to be about 1 percent above 2010, with hog prices less than 1 percent lower than this year, averaging \$53-\$57 per hundredweight (cwt). October pork exports were 9.5 percent below a year ago, with shipments to all major export destinations lower, except to Mexico, China, and the Dominican Republic.

**Poultry:** Higher broiler chick placements have resulted in a increase in the fourth-quarter 2010 broiler meat production estimate to 9.3 billion pounds and a small increase to the first-quarter 2011 estimate. The higher production is expected to increase stocks. Turkey production rose in October as the number of birds slaughtered was higher. Cold storage holdings for whole turkeys continued to be below those of a year earlier, putting upward pressure on prices.

**Poultry Trade:** October broiler shipments totaled 670 million pounds, a 10-percent increase from a year ago, while turkey shipments rose slightly less than 1-percent to begin the fourth-quarter.

**Sheep/Lamb:** Global lamb demand remains strong amid a time of very tight global supplies. Tight global supplies, coupled with record-high prices, have spurred increased domestic slaughter. Prices for 2010 are forecast at record levels, and given the tight domestic and global supplies, prices are expected to remain high throughout 2011.

**Dairy:** An expected rise in domestic use, along with good export prospects and only a moderate rise in milk production, are expected to keep milk prices in 2011 very near 2010 levels. However, higher feed prices will likely squeeze producer profits in the upcoming year.

### *High Fed Cattle Prices Counter High Corn Prices, Bolstering Feeder Cattle Prices*

Although irrigated winter wheat pasture appears to be in relatively good shape, dryland winter wheat pasture in some areas of the Southern Plains is not developing very rapidly and likely will not provide much pasture this winter. This could result in some lightweight feeder cattle entering feedlots, despite relatively high corn prices, especially given hedging opportunities available recently. Despite the winter wheat pasture outlook, lightweight feeder cattle have sold at very respectable prices into December.

Weekly federally inspected cow slaughter continues at rates above last year's already high rates, given January 1 cow inventories. Weekly beef cow slaughter for October through November 27 has averaged about 4 percent over the same period last year, and dairy cow slaughter has averaged over 8 percent above a year earlier. These rates almost ensure that cow inventories on January 1, 2011 will be lower than those on January 1, 2010. Canadian cows have contributed to U.S. slaughter numbers, but they account for only about 3 percent of total U.S. commercial cow slaughter.

Feeder cattle supplies outside feedlots on October 1, 2010 declined by almost 4 percent from October 2009. This decline is consistent with the increased feedlot placements observed since August. The estimated decline in feeder cattle supplies from July 1 to October 1 was about 21.5 percent, a decline that is large compared with other years since 2001, which typically have ranged from 19.4 to 20.6 percent of July 1 supplies. Combined with some evidence that these cattle are entering feedlots at slightly lighter weights than for comparable periods during the last 2 years, these declines may suggest that feeder cattle are being pulled forward into feedlots. As a result, feeder cattle supplies for 2011 will likely be reduced. At the same time, if available supplies of feeder cattle are pulled forward in sufficient numbers, the potential in 2011 for beef production to exceed production for the same periods in 2010 exists, at least during the first quarter of the year. At some point in 2011, the tight supplies of feeder cattle should begin to adversely affect placements and subsequent marketings of fed steers and heifers.

Fed cattle prices have also held up nicely, likely as a result of the contribution of byproduct values to packer margins, which allows packers to bid more for cattle under some conditions. Byproduct values are at levels not observed since July of 2008, largely due to recent increased demand for hides, hearts, and some of the other edible byproducts. The strength in the wholesale sector has been possible because of strength in the retail sector, which has been supported by relatively high prices for both pork and poultry. Retail Choice beef prices for November 2010 were again counter-seasonally higher by less than 1 percent over October 2010 and by 4 percent over November 2009 prices.

### ***Beef Export Levels: Boosted by More than Just Japan and South Korea***

U.S. beef exports for 2010 are forecast at 2.3 billion pounds, 19 percent higher than 2009 levels. Exports through October were 17 percent higher year-over-year. As in September, the United States was a net exporter of beef during the month of October. On a volume basis, U.S. exports rarely exceeded imports prior to December 2003 and have done so only on a few occasions since then. Through October, U.S. exports show a recovery of 91 percent of pre-BSE levels after the posting of year-over-year growth of 25 percent to Japan and 119 percent to South Korea. In 2003, Japan and South Korea combined were responsible for 60 percent of U.S. beef exports. Through October, the share of exports for Japan and South Korea is 28 percent, suggesting that increased exports to these countries do not fully explain the significant gain towards pre-BSE levels achieved this year.

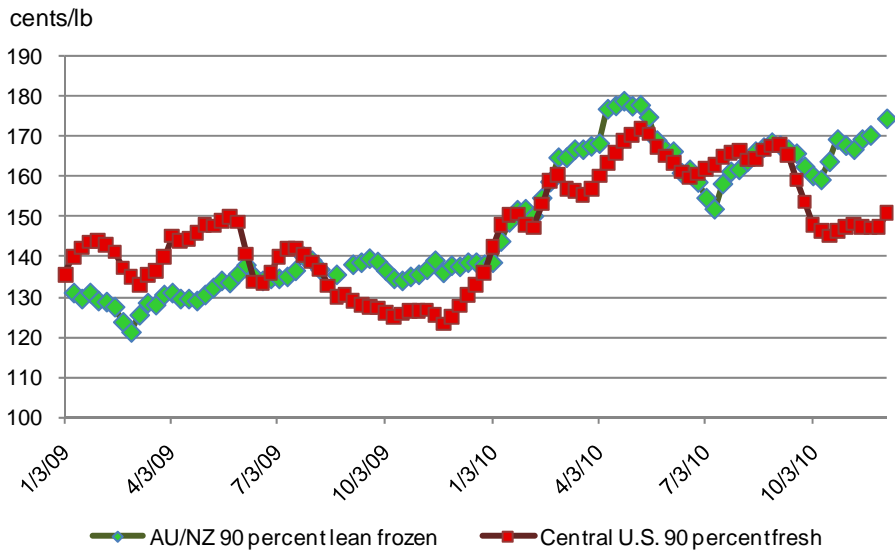
Exports to Taiwan, Hong Kong, Egypt, and other countries, including Russia, have also helped to significantly boost 2010 total U.S. export levels closer to the historical levels posted in 2003. Exports to Taiwan, Hong Kong, and Egypt were 46, 51, and 101 percent higher, year-over-year, and along with sales to Vietnam and Russia, constituted 23 percent of total U.S. beef exports through October. Fourth-quarter exports this year are expected to show over 25-percent growth, reaching 650 million pounds. Annual beef exports in 2011 are forecast at 2.3 billion pounds, with quarterly year-over-year growth expected to continue through the first half of the year.

### ***The United States Is a Net Exporter of Beef in the Fourth Quarter***

U.S. beef imports for 2010 are forecast at 2.36 billion pounds, a 10-percent year-over-year decline. Imports through October were 11 percent lower than the comparable 2009 levels. With fourth-quarter imports forecast at 500 million pounds, the United States is expected to be a net exporter of 150 million pounds of beef in the final quarter of this year. Tighter supplies of beef available for export from Oceania explained lower import levels though much of the first half of the year. However, as more beef was shipped from Australia to all destinations in the second half of 2010, the strong Australian dollar became the predominant factor limiting U.S. imports of beef from this historically top supplier. Beef imports from New Zealand are also 6 percent below year-earlier levels though October, and Brazil ceased beef shipments to the United States beginning in the second half of the year.

The high Australian dollar is the predominant factor limiting imports of Australian beef, as U.S. importers must pay relatively higher prices for the Australian product, evidenced in imported processing beef prices. In November, the Australian dollar reached highs not seen in decades against the U.S. dollar, at \$1.012 AUD/USD. According to AMS Weekly National Carlot Meat reports, the gap between U.S. domestic and imported Australian/New Zealand processing beef at the U.S. port of entry has widened significantly since October. Total Australian beef exports are down just over 2 percent, but exports to the United States are down over 28 percent, year-over-year.

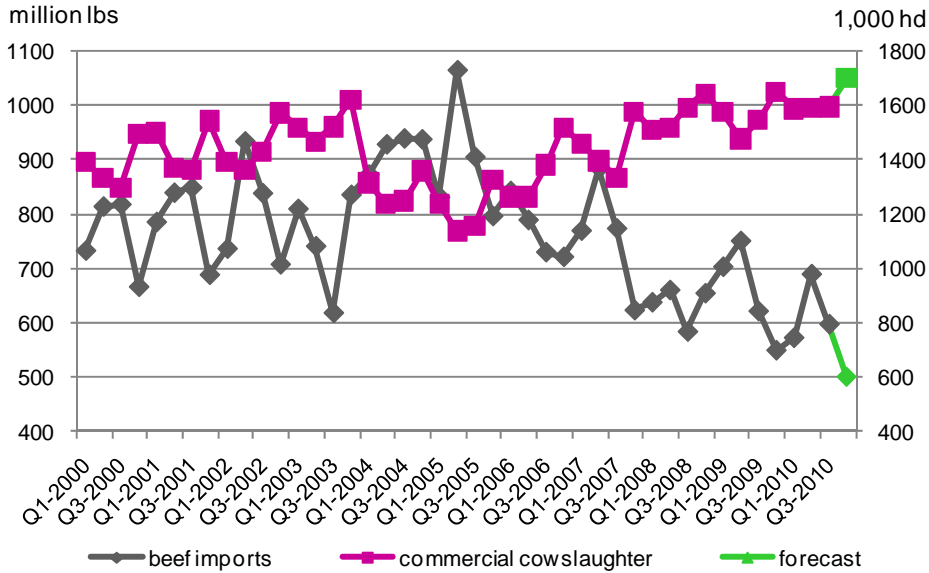
**U.S. domestic versus Australia-New Zealand imported processing beef prices, 2009-2010**



Source: USDA-AMS Weekly National Carlot Meat reports, compiled by ERS.

Increased numbers of slaughtered cows in the United States— up over 4 percent to date despite the already diminished U.S. cow herd—have been able to partially offset the decrease in imports of processing beef this year. U.S. cow slaughter and beef imports, both providing meat to the supply of processing beef, are often inversely related. U.S. beef imports for 2011 are forecast at 2.5 billion pounds, a 4-percent increase. Much of this growth will take place in the second half of the year, as increased shipments from Oceania are expected as the year progresses. Any strengthening of the U.S. dollar will also help product flows to the United States.

## U.S. beef imports and commercial cow slaughter, 2000-2010

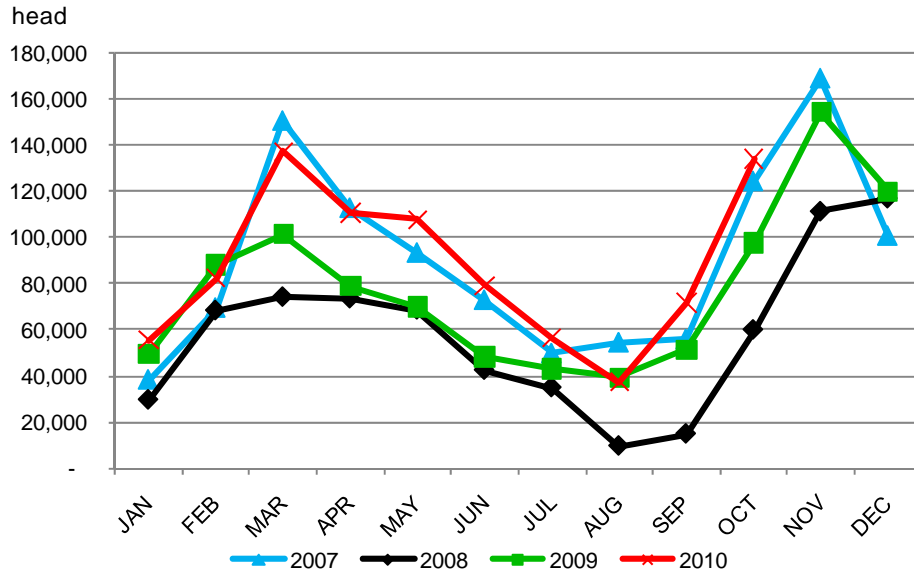


Source: USDA-ERS, <http://www.ers.usda.gov/Data/MeatTrade/> and <http://www.ers.usda.gov/Publications/ldp/LDPTables.htm>.

### ***Total Cattle Imports of 2.3 Million Head Forecast for 2010***

Cattle imports for 2010 have been revised up to 2.3 million head. Cattle imports through October from Mexico and Canada, respectively, are 31 and 6 percent above year-earlier levels. Cattle imports from Mexico have been particularly strong leading into the fall and are following the seasonal trend, in which Mexican imports typically peak in November. September and October were the strongest months for Mexican cattle imports in several years.

### U.S. monthly cattle imports from Mexico



Source: USDA-Economic Research Service, <http://www.ers.usda.gov/Data/MeatTrade/>.

In addition to large numbers of slaughter steers and heifers from Canada, AMS weekly reports also show steady numbers of Canadian cull cows crossing the border, contributing to the “heavy” slaughter cattle import mix (cattle weighing more than 700 lbs.). Total cattle imports to the United States through October were over 16 percent higher, year-over-year. The expected smaller North American cattle inventory in 2011 will likely result in decreased numbers of cattle traded; 2011 imports are forecast at 2.1 million head, a 9-percent decline from this year.

### *Hog Price Forecasts Lowered Slightly*

Indications that higher pork prices could be curtailing demand to some degree, along with a slight year-over-year production increase now expected in the fourth quarter, prompted USDA to lower forecast hog prices slightly for 2010 (fourth quarter) and for 2011. Similar to September's cold stocks report, October 31 USDA monthly cold stocks data showed pork products accumulating at faster rates than expected. Part of the accumulation might also have been attributable to slightly higher fourth-quarter pork production, but with retail pork prices at record highs, U.S. consumers are likely buying less pork. October pork exports also fell below expectations, suggesting that despite a competitively priced U.S. dollar, high U.S. pork prices likely caused foreign buyers to back away from U.S. pork products. Record-high retail prices and competitive chicken prices on the domestic side, lower than expected export demand, and slightly higher production may be weighing on wholesale pork prices.

For the balance of 2010, upward adjustments in fourth-quarter slaughter and dressed weights resulted in an expected commercial pork production estimate of just over 6 billion lbs, about 0.3 percent above a year earlier. This would be the first instance of year-over-year increased production since the third quarter of 2009. The average fourth-quarter price of live equivalent 51-52 percent lean hogs is expected to be \$49-\$50 per cwt, more than 20 percent above the same period in 2009. USDA's 2011 commercial pork production forecast—just slightly below 22.6 billion pounds—is expected to be about 1 percent above production in 2010. Hog prices next year are likely to average \$53-\$57 per cwt, less than 1 percent below the estimated average annual price for 2010.

### *We've Been Here Before: October Pork Exports Below a Year Ago, Imports Higher*

October pork exports, at 339 million lbs, were 9.5 percent below a year earlier, with shipments to most major destinations falling below October 2009 levels. Only Mexico, China, and the Dominican Republic bought more U.S. pork products in October compared with a year ago. Seven of the 10 largest foreign destinations in October registered year-over-year declines (see listing below). With the October exchange rate of the U.S. dollar highly competitive in most foreign markets, high U.S. pork prices were likely a major contributor to lower October exports.



## Major destination countries of U.S. pork exports, October 2010

	2010 October exports million lbs.	2009	Percent chg. (2010/2009)
World	339	375	-9.5
1 Japan	95	112	-15.1
2 Mexico	81	80	0.9
3 Canada	34	35	-3.0
4 China	23	2	1038.6
5 Russia	22	24	-10.3
6 South Korea	13	22	-42.9
7 Hong Kong	11	34	-66.8
8 Australia	10	13	-17.2
9 Philippines	10	13	-23.0
10 Dominican Rep.	6	5	24.1

Source: <http://www.ers.usda.gov/data/meattrade/>

U.S. pork imports in October were 77.5 million lbs, 6.8 percent above a year earlier. More than half of that increase is attributable to Canada, whose shipments to the United States were up about 5 percent. Relatively high U.S. pork prices likely created market opportunities for Canadian pork products, despite the U.S. dollar's depreciation against the Canadian dollar in October and November.

October imports of live swine were slightly above 457,000 head, almost 9 percent below a year ago. With the exception of breeding animals (greater than 50 kgs) and animals for immediate slaughter, all categories of live imports were lower in October.

### *Broiler Meat Production Up Again in October*

Broiler meat production totaled 3.18 billion pounds in October, up 3.6 percent from the previous year. The increase in meat production would have been even higher, but October 2010 had 1 fewer slaughter day compared with the previous year. Over the first 10 months of 2010, broiler meat production has increased on a year-over-year basis in 8 of those months. The total for the January-through-October 2010 period was 30.6 billion pounds, 2.9 percent higher than in the same period a year earlier. In October, the number of birds slaughtered was down slightly from the previous year to 723 million due to 1 less slaughter day. However, the lower number of birds slaughtered was offset by a strong increase in the average live weight of birds at slaughter, up 3.5 percent to 5.87 pounds. The strong increase in average broiler weights at slaughter is expected to continue in November and December, along with a higher number of birds being slaughtered, especially as November has 1 more slaughter day than the previous year. Due to these expected changes, the estimate for fourth-quarter 2010 broiler meat production was increased by 100 million pounds to 9.3 billion pounds, 5.4 percent higher than a year earlier. This will push the annual estimate for 2010 to 36.7 billion pounds. The meat production estimate for first-quarter 2011 was also increased, reaching 9.08 billion pounds, 50 million pounds higher than the previous estimate.

With high corn prices forecast for the remainder of 2010 and for 2011, and with relatively weak prices for most broiler products, broiler integrators are expected to scale back production increases for 2011. Over the last month there has seemed to be a distinct break in the number of eggs being placed in incubators. During the last 4 weeks (November 13 to December 4), the total number of broiler eggs placed in incubators for hatching was 819 million, a 1.4-percent increase from the same period in 2009. This is in contrast to the gains in eggs placed in incubators in the preceding 4-week period (October 16 to November 6). During this period, the total number of eggs placed in incubators for hatching was 796 million, a 6.4-percent gain from the same period in 2009. This pattern of growth in the number of eggs placed in incubators, if translated to growth in the number of birds available for slaughter, would point toward a strong increase in meat production in fourth-quarter 2010, but a much smaller increase later, starting around the middle of first-quarter 2011.

Cold storage holdings of broiler products at the end of third-quarter 2010 were revised downward slightly to 678 million pounds. Even with the reduction, this is still 11 percent higher than a year earlier. With strong gains in broiler meat production expected in fourth-quarter 2010, the forecast for 2010 ending stocks was increased to 725 million pounds, a gain of 109 million pounds from a year earlier (up 18 percent). Broiler stocks are expected to remain above year-earlier levels through the first half of 2010, but to go below year-earlier levels in the second half of 2011, as smaller gains in production result in a drawdown in stocks and greater use.

The higher boiler production in fourth-quarter 2010 and rising cold storage holdings have put downward pressure on most broiler product prices. The largest declines have been for breast meat, but prices were lower in the fourth quarter for almost all broiler products. For fourth-quarter 2010, prices for whole birds are expected to average 80 to 81 cents per pound, up about 12 percent from a year earlier.

### ***October Turkey Production Sharply Higher***

Turkey meat production in October totaled 524 million pounds, up 3.2 percent from October 2009. The increase was the result of a 3.3-percent rise in the number of birds slaughtered, despite 1 less slaughter day in October 2010. However, the average weight at slaughter was down slightly (0.3 percent) from the previous year to 28.4 pounds. The year-over-year increase in turkey meat production in October is in contrast with declining production in 7 of the first 9 months of 2010. To date (January to October), turkey meat production has totaled 4.7 billion pounds, 1.4 percent below the same period in 2009 and 11 percent lower than in the first 10 months of 2008.

Even with higher meat production in October, turkey stocks continued to be well below the previous year. Cold storage data for the end of October showed turkey stocks at 417 million pounds, down 19 percent from the previous year. Whole bird stocks were at 244 million pounds, down 18 percent from a year earlier. At the beginning of 2010, whole turkey stocks totaled 76 million pounds, 45 percent lower than the previous year. Stocks of turkey parts were estimated at 173 million pounds at the end of October, down 21 percent from a year earlier. Even with higher turkey production expected in the fourth quarter compared with the previous year, total turkey stocks at the end of 2010 are expected to be 210 million pounds, 20 percent less than the previous year. Cold storage holdings for turkey products are expected to remain below 2010 levels during the first half of 2011, but to move higher in the second half of the year.

After being above year-earlier levels during the first 11 months of 2010, the national price for whole hens is expected to decline seasonally in December but to remain well above a year earlier. Lower stocks of whole birds during all of 2010 have placed continued upward pressure on prices. In November, the national price for whole hen turkeys was \$1.06 per pound, up 29 percent from the previous year. Even with higher production, the low stock levels are expected to pressure prices higher, and whole hen turkey prices are expected to average \$1.02 to \$1.05 per pound in fourth-quarter 2010, an increase of approximately 27 percent from the previous year. With this continued price strength through the end of the year, the annual price for 2010 is expected to average about \$0.90 per pound, an 18-percent increase from 2009.

Over the first 10 months of 2010, the number of turkey poults placed for growout has totaled 230 million, down slightly (0.3 percent) from the same period last year, after falling steeply in 2009. The decline in poults placed for growout would indicate that turkey production in 2011 would be close to or slightly lower than in 2010. However, the number of turkey eggs placed in incubators in November may indicate a change in outlook among turkey producers. The number of eggs in incubators at the beginning of November totaled 28.3 million, 8.9 percent higher than a year earlier.

Even with strong wholesale prices for whole birds and most turkey products throughout 2010, the size of the jump in eggs in incubators is surprising. During the first 10 months of 2010, the number of turkey eggs in incubators on a monthly basis has been the same as or below that of the previous year.

### ***Table Egg Production Continues Higher***

The table egg laying flock in October was estimated at 279 million hens, 0.5 percent above the previous year. Year-over-year table egg flock numbers have been mixed so far in 2010, with the flock size up in 4 months of the year and lower in 6 months. The table egg flock is expected to remain higher than the previous year through the remainder of 2010, although only by a small amount. At the beginning of November the estimate of the number of birds in the table egg flock was down, but the decrease was less than 1 percent. With expected higher feed prices and continued economic uncertainties, egg producers are not expected to have much incentive to greatly expand production in 2011.

Table egg production has been higher than the previous year in 9 of the first 10 months of 2010. However, in October, production was 550 million dozen, a decrease of 0.6 percent from the previous year. The lower production provided upward pressure on table egg prices in November. The fourth-quarter 2010 wholesale price for one dozen Grade A eggs in the New York market is forecast to average \$1.19 to \$1.22, up considerably from the third quarter and slightly higher than a year earlier.

Hatching egg production has been higher throughout 2010. Over the first 10 months of 2010, hatching egg production has totaled 897 million dozen, 1.5 percent higher than during the same period in 2009. Although on a quantity basis most of this increase has come from higher production of meat-type birds, the percentage increase for both meat (1.5 percent) and egg-type birds (1.4 percent) were very similar. The increase in eggs from meat-type birds went toward producing broiler chicks to support the gradually strengthening production in the broiler industry. With broiler production expected to show only modest increases in 2011, production of hatching eggs is expected to be only slightly higher than in 2010.

### ***Egg Exports Fall in October***

Monthly exports of eggs and egg products had been consistently higher on a year-over-year basis through August. However exports were down in September, and in October shipments were the equivalent of 25.8 million dozen eggs, 3.8 percent below those of October 2009. October exports were higher to Hong Kong, the United Arab Emirates, and Israel, but these increases were more than offset by falling shipments to Canada, Japan, and a number of EU countries. Most of the decrease was due to falling exports of egg products (down 6.8 percent), as shipments of shell eggs were down less than 1 percent. Shipments of egg products were likely adversely impacted by the sharp spike in U.S. egg prices in late August and early September that raised prices for breaking eggs.

### ***Broiler Shipments Take a Big Leap in October 2010***

Broiler shipments rose from 608.2 million pounds in October 2009 to 670 million pounds in October 2010, a 10-percent increase. Several large broiler markets contributed toward the largest U.S. monthly broiler shipment ever made. Of all the major contributing markets, Russia's was by-far the largest. After 5 months (March 2010 through June 2010) of almost no broiler trade activity, Russia imported more than 211 million pounds of broiler meats, 20-percent over October 2009 and about 32-percent of the U.S. total broiler shipments in October 2010.

In addition to Russia, broiler shipments to other major markets such as Mexico, Hong Kong, and Canada increased from a year earlier. Shipments to Mexico in October 2010 increased 14.3-percent, with broiler shipments to Hong Kong and Canada increasing 127 percent and 8 percent, respectively, from a year ago. Notable increases in October 2010 broiler shipments were also seen among markets such as Vietnam, Angola, and South Korea, compared with a year earlier. The dollar value of U.S. broiler meat shipments also increased 4.6-percent from a year ago, totaling almost \$309.7 million in October 2010.

### ***Turkey Shipments Up Slightly in October 2010***

Turkey shipments in October were up less than 1-percent from a year ago. A total of 49.2 million pounds of turkey meat was shipped in October 2010, just slightly more than 49 million pounds a year ago. Almost 54-percent of total U.S. turkey shipments went to Mexico. Mexico imported 26.5 million pounds of turkey meat from the U.S., a 23-percent increase from October 2009. Turkey shipments to Canada and Hong Kong also were up from a year ago. In October 2010, Canada imported 2.6 million pounds and Hong Kong 2.2 million pounds of turkey meat from the U.S., each country importing 69-percent more than a year earlier. The dollar value of turkey shipments increased 18.5 percent, from \$36.2 million in October 2009 to \$42.9 million in October 2010.

### *Tight Global Lamb Supplies Spur Increased Domestic Slaughter*

Global lamb demand remains strong in the midst of very tight global supplies. Tight supplies in the major U.S. suppliers, New Zealand and Australia—among other economic factors in those countries—have affected their export capabilities.

Although third-quarter imports came in at 30.4 million pounds, nearly 10 percent above the same period last year, imports for the first 9 months of 2010 were nearly 2 percent below the same period last year. October 2010 lamb imports came in at 9 million pounds, 30 percent lower than October 2009 and the lowest October lamb imports since 1999. October generally marks the beginning of a seasonal shift, when imports begin to show a marked increase in preparation for the Holidays. Despite the slow-but-improved economic conditions in the United States since the recession ended in the third quarter of 2009 and strong domestic lamb demand, year-over-year imports are forecast to be down by 1 percent in 2010.

The tight global supplies have been coupled with record-high prices that have spurred increased domestic slaughter. Although the third quarter is typically the lowest production quarter, third-quarter 2010 saw 20,000 more sheep and lambs slaughtered than in second-quarter 2010. This is probably because the share of mature animals comprising commercial slaughter increased by more than 2 percent in third-quarter 2010, a sign that the expected January 1 breeding inventory could be lower. Mature sheep slaughter numbers have been higher than normal throughout 2010. Yet in light of the extraordinarily tight supplies, preliminary production numbers show that November 2010 production was equal to November 2009. The forecast of fourth-quarter 2010 production is almost equal to fourth-quarter 2009.

Prices for 2010 are at record levels, and given the tight domestic and global supplies, prices are expected to remain high throughout 2011. Choice Slaughter lamb prices at San Angelo showed significant strength in third-quarter 2010, averaging \$115.57 per cwt, nearly \$25.00 per cwt higher than in the same period in 2009. The fourth-quarter 2010 Choice Slaughter lamb price at San Angelo is forecast to average in the range of \$129-\$130 per cwt, with similarly strong prices continuing throughout 2011.

It is typical for producers to respond to these strong prices by expanding their herd size in anticipation of continued high prices. Current economic conditions often complicate this decision. Producers are not often faced with expansion decisions during slow economic growth conditions when access to credit may be limited. In such situations, producers often struggle with deciding whether to capture the high prices now or to invest in herd expansion with the hope of capturing even higher prices later. The ewe retention numbers in the January 2011 NASS *Sheep and Goat Report* will provide a reasonable gauge of how producers are responding to these higher prices.

### ***Firm Demand Will Likely Keep Milk Prices Near 2010 Levels; However, Higher Feed Prices Will Narrow Producer Profits***

Feed prices are expected to be much higher for dairy producers next year. The USDA forecast corn price is expected to be \$4.80 to \$5.60 a bushel for the 2010/11 crop year. Soybean meal prices, while projected to be higher, will not rise as much as corn. They are expected to be \$310 to \$350 per ton in 2010/11, up from a \$311 per ton average in 2009/10. The increase in feed ingredient prices will boost the benchmark 16-percent protein mixed dairy ration price nearly 20 percent above 2010. Higher feed costs are already pressuring producers but will not likely affect cow numbers until the second half of 2011. Cow numbers will continue to increase through the first half of 2011 and are expected to decline slightly in the second half of the year. These changes are expected to leave the herd size next year slightly above the 9,110 thousand head in 2010 at a projected 9,125 thousand head. Milk per cow is forecast to continue to rise next year, but at less than half the pace forecast for 2010. The current year's increase in milk per cow was aided by good weather in addition to moderate feed prices. Overall, milk production will be slightly higher next year at 195.5 billion pounds, up 1.4 percent from the 2010 estimated total of 192.8 billion pounds.

Milk equivalent imports on both a fats and skim-solids basis are forecast to be lower in 2010. The fact that international prices are still above U.S. domestic prices for the major dairy products, and that the domestic economic recovery is gradual will limit import totals to 4.1 billion pounds next year, down from 4.3 billion this year on a fats basis and down to 4.9 billion pounds from 5.1 billion this year on a skim-solids basis. Milk equivalent exports rebounded sharply this year from 2009. However, next year exports on a fats basis are expected to weaken to 6.3 billion pounds from the 8.3 billion pound total expected this year. Uncertainty over the Mexican tariff on U.S. cheese exports is contributing to the decline. On a skim-solids basis, exports are forecast to decline slightly to 30 billion pounds from a projected 31.3 billion pound total expected this year. Oceania milk production is forecast to increase in 2011, raising competition in export markets.

Domestic commercial use on a fats basis is expected to rise by nearly 2 percent in 2011; this would be the sharpest year-over-year rise in at least 4 years. Domestic commercial use on a skim-solids basis is forecast to climb by nearly 3 percent in 2011. The rise would follow a better than 2-percent year-over-year decline expected in 2010.

Strong domestic use, a good export outlook, and only a moderate increase in milk production provide the basis for continued strong price performance estimates for dairy products into 2011. While butter prices have retreated from earlier peaks, the 2010 average price is expected to be \$1.685 to \$1.715 per pound this year. Prices in 2011, while not as high as this year's, will still be above those of recent years averaging \$1.485 to \$1.595 per pound. Despite uncertainty in the cheese export market, domestic demand should be sufficient to boost cheese prices next year.

Cheese prices in 2010 are expected to average \$1.515 to \$1.525 per pound, rising to \$1.535 to \$1.615 per pound in 2011. Nonfat dry milk (NDM) prices are also projected higher next year. NDM prices are expected to average \$1.160 to \$1.180 per pound this year and climb to \$1.200 to \$1.260 per pound in 2011. Whey prices are likely to average 36.5 to 37.5 cents per pound in 2010 and 36.5 to 39.5 cents per pound next year.

Export prospects for NDM should help keep Class IV milk prices firm into 2011, but not quite as high as this year's \$15.00 to \$15.20 per cwt expected average. In 2011, Class IV milk is forecast to average \$14.50 to 15.40 per cwt. Class III milk prices should be higher next year. For 2010, the Class III price is expected to average \$14.35 to \$14.45 per cwt and to climb to \$14.45 to \$15.25 next year. On balance, this leaves the all milk price next year at \$15.90 to \$16.70 per cwt, virtually unchanged from the 2010 projected average of \$16.25 to \$16.35 per cwt.





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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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## Dairy Forecasts

	2009			2010					2011			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,155	9,090	9,201	9,091	9,111	9,123	9,120	9,111	9,130	9,135	9,125	9,125
Milk per cow (pounds)	5,111	5,090	20,576	5,209	5,461	5,270	5,220	21,159	5,320	5,515	5,310	21,425
<b>Milk production (bil. pounds)</b>	46.8	46.3	189.3	47.4	49.8	48.1	47.6	192.8	48.6	50.4	48.5	195.5
Farm use	0.3	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	1.0
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	194.6
<b>Milkfat (bil. pounds milk equiv.)</b>												
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	194.6
Beginning commercial stocks	14.5	13.7	10.1	11.3	13.0	13.4	12.1	11.3	10.5	12.2	13.8	10.5
Imports	1.3	1.3	5.6	1.2	1.0	1.0	1.1	4.3	1.1	0.9	1.0	4.1
Total supply	62.3	61.0	204.0	59.7	63.5	62.2	60.5	207.4	59.9	63.2	63.0	209.2
Commercial exports	1.0	1.2	4.5	1.3	2.4	2.4	2.0	8.2	1.5	1.6	1.7	6.3
Ending commercial stocks	13.7	11.3	11.3	13.0	13.4	12.1	10.5	10.5	12.2	13.8	12.9	10.6
Net removals	0.1	0.6	0.7	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Commercial use	47.5	47.7	187.3	45.1	47.8	47.7	48.0	188.5	46.2	47.8	48.4	192.3
<b>Skim solids (bil. pounds milk equiv.)</b>												
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.8	47.4	191.8	48.3	50.1	48.2	194.6
Beginning commercial stocks	12.4	11.5	10.9	11.3	11.8	12.5	12.3	11.3	12.2	11.5	12.3	12.2
Imports	1.2	1.4	5.5	1.2	1.2	1.3	1.6	5.1	1.3	1.1	1.1	4.9
Total supply	60.2	58.9	204.7	59.6	62.5	61.6	61.2	208.3	61.9	62.8	61.6	211.7
Commercial exports	5.4	6.1	22.4	6.2	8.7	8.4	8.0	31.3	7.3	7.7	7.7	30.0
Ending commercial stocks	11.5	11.3	11.3	11.8	12.5	12.3	12.2	12.2	11.5	12.3	11.7	11.5
Net removals	0.6	0.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.9	41.4	168.6	42.0	41.3	40.9	41.0	165.2	43.1	42.7	42.2	170.1
<b>Milk prices (dol./cwt) 1/</b>												
All milk	12.13	15.40	12.83	15.60	15.07	16.80	17.65	16.25	16.00	15.70	15.75	15.90
							-17.85	-16.35	-16.50	-16.50	-16.75	-16.70
Class III	11.09	13.96	11.36	13.85	13.31	15.06	15.25	14.35	14.05	14.60	14.65	14.45
							-15.45	-14.45	-14.55	-15.40	-15.65	-15.25
Class IV	10.56	13.37	10.89	13.22	14.82	16.04	16.15	15.00	14.80	14.25	14.45	14.50
							-16.45	-15.20	-15.40	-15.15	-15.55	-15.40
<b>Product prices (dol./pound) 2/</b>												
Cheddar cheese	1.248	1.508	1.296	1.471	1.419	1.587	1.601	1.515	1.485	1.545	1.555	1.535
							-1.621	-1.525	-1.535	-1.625	-1.655	-1.615
Dry whey	0.294	0.344	0.258	0.386	0.366	0.362	0.365	0.365	0.365	0.365	0.365	0.365
							-0.385	-0.375	-0.395	-0.395	-0.395	-0.395
Butter	1.194	1.350	1.209	1.387	1.551	1.915	1.935	1.685	1.595	1.495	1.435	1.485
							-1.975	-1.715	-1.675	-1.605	-1.565	-1.595
Nonfat dry milk	0.892	1.142	0.922	1.107	1.212	1.174	1.180	1.160	1.180	1.170	1.225	1.200
							-1.200	-1.180	-1.220	-1.230	-1.295	-1.260

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/dyfm0s/mib/fedordprc\\_dscrp.htm](http://www.ams.usda.gov/dyfm0s/mib/fedordprc_dscrp.htm)

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

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