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Livestock, Dairy, and Poultry Outlook

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Production Declines Push Beef and Poultry Prices Higher in 2012, Dairy and Pork Prices Under Pressure

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Tables will be released on Jan. 24, 2012

The next newsletter release is Feb. 15, 2012

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Recent rains have provided some relief in the drought-affected Southern United States, but La Niña is expected to continue her influence into 2012. Despite the drought-induced sell-off of cattle in the South and record-high feed prices, prices for all cattle have held up well in 2011. However, profit margins for cattle feeders and packers have been largely negative.

Beef/Cattle Trade: U.S. cattle imports for 2012 are forecast at 2.025 million head, or 2 percent lower than the forecast total for 2011. Beef exports for 2011 are expected to be 21 percent higher, year-over-year at 2.78 billion pounds. The strength in the U.S. beef export market should continue this year, as exports are expected to be near 2011 levels.

Special Article: "Mexico's Emerging Role as an Exporter of Beef to the United States"

Pork/Hogs: Estimates published in The *Quarterly Hogs and Pigs* report point to small increases in hog production in 2012. Price effects of larger pork supplies and stable exports are expected to be largely offset by higher prices of substitute animal proteins, especially for beef. Live hog prices in 2012 are expected to average $63-$67, almost 2 percent below prices in 2011. Retail pork prices are expected to average in the low $3.50s.

Poultry: Broiler meat production in fourth-quarter 2011 is expected to total 8.93 billion pounds, down 50 million from the previous estimate. This adjustment follows year-over-year declines in production in both October and November. The number of chicks being placed for growout has changed considerably over the last several weeks. The number of chicks being placed for growout now shows a decrease from the same period a year earlier only about half what it was in mid-November. December prices for whole hen turkeys averaged $1.07 per pound, up 9 percent from the previous year. Prices in fourth-quarter 2011 averaged $1.12 per pound, 8 percent higher than during the same period in 2010.

With stock levels at the end of 2011 expected to be relatively low, whole hen turkey prices are expected to remain above year earlier levels through the first half of 2012. Even with table egg production expected higher in fourth-quarter 2011, wholesale egg prices have remained strong. Wholesale prices for a dozen grade A large eggs in the New York market averaged $1.31 in fourth-quarter 2011, up 7 percent from the same period in 2010 and up 11 percent from third-quarter 2011.

Poultry Trade: November 2011 broiler shipments totaled 606.2 million pounds, 9-percent less than a year ago. Turkey shipments were up from a year earlier. November turkey shipments totaled 68.6 million pounds, a 6-percent increase from a year ago.

Dairy: Despite a forecast of a small reduction in herd size from 2011, higher milk per cow will raise milk production in 2012. Exports on both a fats and skims-solids basis are lowered for 2012. The result is lower prices in 2012 than in 2011 for the major dairy products and consequently for the all milk price.

Beef/Cattle

Record Prices but Negative Margins

Pasture and range prospects continue to improve in those areas of the South that have received precipitation over the last several weeks, some getting as much as 200 percent of normal December precipitation. In the short run, the precipitation will help wheat pasture when it begins to grow in February. With some followup precipitation, precipitation this fall and winter will set the stage for year-over-year improvement in conditions over those observed from October 2010 through March 2011 and will help native pastures begin to grow or recover this spring. The La Niña effect is expected to continue at least into spring of 2012, however, and could affect precipitation patterns in 2012 as it did in 2011.

Cumulative weekly federally inspected "other" cow slaughter--mostly beef cows--through the week of December 31, 2011 was almost 5 percent above the same period a year earlier, and was over 14 percent above same period in 2009. Total annual commercial cow slaughter has been observed at current levels only one time since 1987—in 1996, also a drought year. Commercial cow slaughter in 2011 is on track to equal around 17 percent of the January 1, 2011 cow inventory compared with 14.9 percent of the January 1, 1987 cow inventory and 16.3 percent of January 1, 1996.

USDA's National Agricultural Statistics Service (NASS) semi-annual Cattle inventory report to be released on January 27, 2012, will provide analysts a better idea of the effect the drought has had on the national cow herd and replacement heifer inventories. However, ahead of the report, the atypically large cow slaughter relative to the January 1, 2011, cow inventory has fueled expectations for an overall year-over-year decline in beef cow inventories, especially in Southern States, and a likely decline in heifer inventories as well. Despite these expectations, it is important to keep in mind that the drought affected an area accounting for roughly 40 percent of the national beef cow inventory. For the most part, the other 60 percent of beef cows in the United States enjoyed average or better pasture conditions, and adjustments to their cow inventories could offset to some extent what happened in the South.

Despite the most severe drought in recorded Texas history, record-high corn prices throughout 2011 and recent rains have supported feeder cattle prices, producing several records and pushing some lighter weight feeder cattle prices to $200 or more per cwt. Increasing prices for feeder heifers throughout 2011 reflect both increased interest in placements in feedlots and in cow herd rebuilding. Interest in heifers has increased considerably in the last few weeks as drought-affected producers begin thinking about restocking and others begin to expand their cow herds. Calves from any heifers retained for breeding in 2012 will not be ready for slaughter until sometime in 2014 or later. Producers' resolve to retain heifers to increase cow herds could likely be tested as heifer prices rise in the face of increasing demand for feeder cattle over the next few years.
Net placements of feeder cattle in feedlots of 1,000 head or more through November 2011 averaged 2 percent higher than the 2010 average.

Net placements in 2010 averaged over 5 percent higher than 2009 placements. While the placements in 2011 were largely drought-induced, placements in both

2010 and 2011 were from successively smaller calf crops. This generally means calves were "pulled forward" for placement in feedlots; that is, they were placed at lower weights and/or at younger ages than would ideally have been the case. The fact that average annual estimated placement weights have declined since 2008 is consistent with the notion of placing cattle earlier and/or at lighter weights.

Increasing net placements and reducing placement weights are in opposition with respect to total beef production because lighter weight placements generally are marketed at lighter finished weights. The result is more beef from more cattle, but less beef from each animal. Other factors also affect total beef production, including the proportion of heifers in the slaughter mix (more of which decreases average dressed weights); cow slaughter (more of which tends to lower average dressed weights of all cattle while increasing total beef production); bull slaughter (which tends to increase dressed weights and total beef production); and feeding activity in feedlots of less than 1,000-head capacity (more of which increases fed beef and total beef production).

November marketings of fed cattle from 1,000-plus-head feedlots were less than 1 percent below year-earlier marketings. However, marketings for all of 2011 are likely to exceed 2010's marketings. Further, based on the large placements of lightweight calves in 2011, marketings for much of the first half of 2012 are expected to exceed those of first-half 2011. Heavy marketings during the first half of 2012 could also result in some downward pressure on fed cattle prices, although anticipation of smaller marketings later in 2012 will likely keep declines from being sharp. The outlook for steer and heifer prices is slightly more bullish for the second half of 2012 and beyond, as second-half 2012 slaughter is expected to be lower than second-half 2011 slaughter. Activities in feedlots of less than 1,000 head could alter this scenario. Some insight into this situation will also be reflected in the total cattle on feed number in this January's NASS Cattle inventory report.

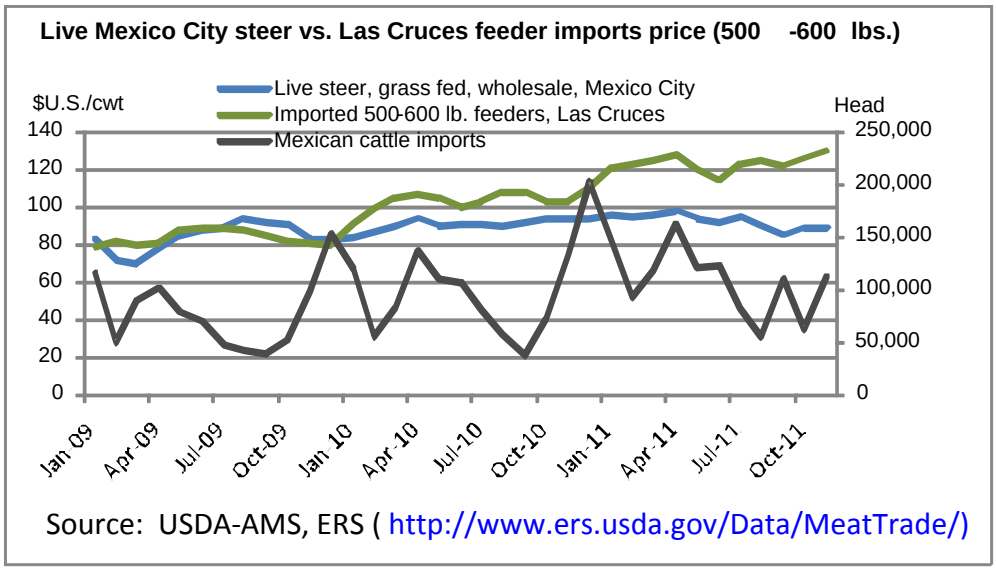
Wholesale beef cutout values have been on a roller coaster for much of the year. While cutout values in 2011 have been at levels well above both 2010 levels and the 3-year average, except for a period in March and again during late May through September, packers have been unable to maintain sufficient pressure on cattle feeders to lower fed cattle prices enough to widen wholesale margins. Despite record retail prices, packers have also been unable to pass enough of the higher prices through to retailers to keep average packer margins in the black. Retail prices in 2012 are expected to surpass 2011 prices, but by how much will depend on the economic recovery, beef imports, and prices for pork and poultry.

Beef/Cattle Trade

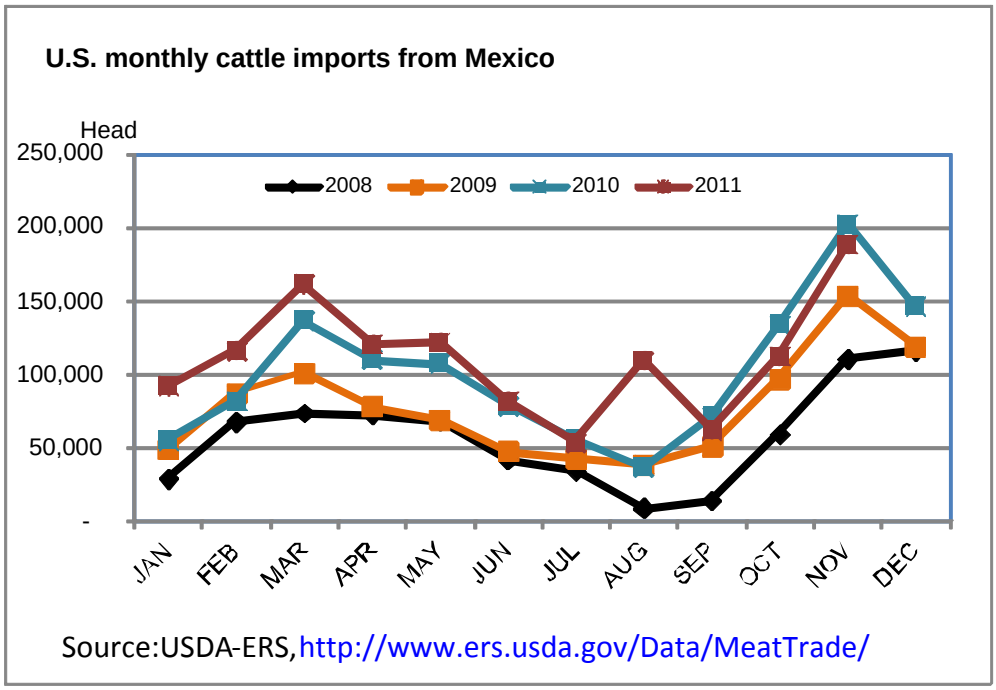
Cattle Imports from Mexico Finish 2011 Strong

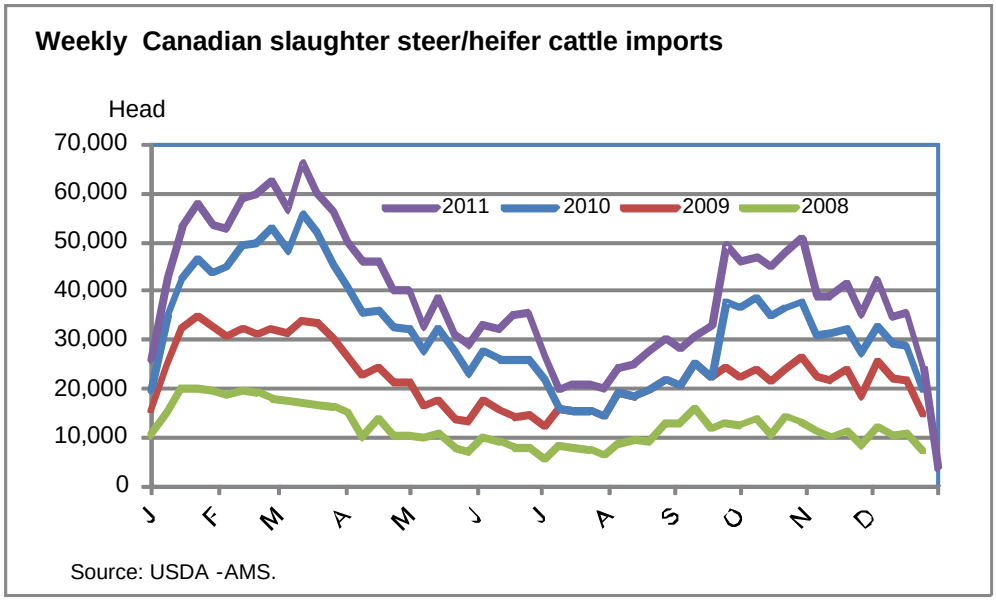
U.S. beef cattle imports for 2011 are estimated to have been at 2.075 million head. This is 9 percent below a year earlier, but still indicative of strong import levels in the face of tightened North American Cattle inventory levels. The seasonal fall peak in U.S. cattle imports from Mexico was again pronounced as imports surged in November to over 189 thousand head. Through December, AMS weekly reports indicated total 2011 cattle imports from Mexico to be 15 percent above year-earlier levels. Drought extending from Southern Plains down to Northern Mexico, in addition to strong feeder cattle prices, served as the impetus for increased imports from Mexico in 2011. Beginning in July, U.S. imported feeder cattle prices (Las Cruces 500-600 lbs) averaged $34.77 per hundredweight higher than equivalent Mexico City wholesale grass-fed steer prices.

Weekly cattle imports from Canada through December were 19 percent below a year ago according to AMS reports. Imports of steers and heifers for immediate slaughter averaged 51 percent higher year-over-year on a weekly basis, although this was not enough to offset lower total Canadian imports stemming from lower imports of Canadian feeder cattle and cows for slaughter. Marketings of Canadian cattle have been above year-earlier levels since June, and placements have been such that marketing numbers and the supply of cattle available for export as steers and heifers for slaughter should remain relatively high into the first half of this year. Imports of Canadian slaughter cows and feeder cattle, however, should continue to remain tight as herd rebuilding efforts are underway in Canada. Total cattle imports will be lower in 2012, forecast at 2.025 million head. Lower imports are expected from both Canada and Mexico.



Source: USDA-AMS, ERS (http://www.ers.usda.gov/Data/MeatTrade/)





U.S. Beef Exports Forecast 21 Percent Higher in 2011

U.S. beef exports for 2011 are estimated to have been at 2.78 billion pounds, or 21 percent higher than 2010. Through November U.S. beef exports are 23 percent higher than a year ago. Much of this growth occurred in exports to Canada (+30 percent), Japan (+30 percent), South Korea (+38 percent), and Hong Kong (+34 percent). The growth trend in U.S. beef exports to Egypt (+19 percent) and Russia

(+83 percent) has also continued this year. Exports to Mexico are only fractionally below year-ago levels. In 2012, U.S. beef exports are forecast to be just fractionally below 2011 levels, although total domestic beef production will be about 5 percent smaller.

Special Article

Rachel J. Johnson and Amy D. Hagerman

U.S. beef imports from Mexico have at least doubled in each of the last 2 years, continuing an upward trend that began in 2003 (fig. 1). The impetus for the increased imports is beef from Mexican Tipo Inspección Federal (TIF) plants and increased production of grain-fed beef, the quality and type of beef U.S. consumers prefer. The increase in coarse grain domestic feed use in Mexico, in addition to increased exports of U.S. feed and distillers' grains, is evidence of the shift toward fed beef in Mexico.

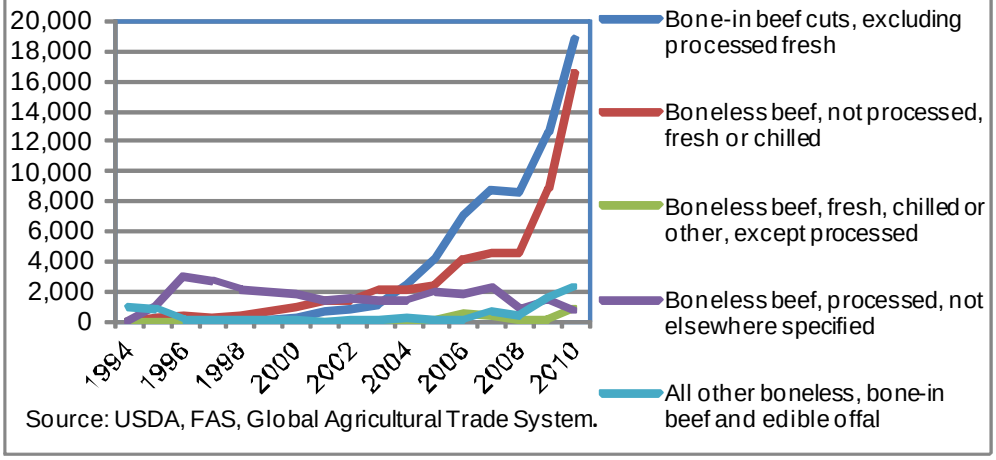
Beef imports from Mexico in 2010 totaled 107 million pounds, making Mexico the fifth largest exporter of beef to the United States. Through November 2011, imports of beef from Mexico increased by 46 percent over the same period in 2010. The majority of beef imported by the United States from all sources is processing beef, which is mixed with trim for grinding in the United States. Over the last 10 years, on average over 86 percent of beef imports to the United States have been boneless, fresh, or frozen meat cuts, much of which is used in processing. This category of imports has increased from Mexico—by nearly 88 percent in 2010—but is paralleled by increasing imports of bone-in beef cuts as well. Of the bone-in beef cuts imported to the United States in 2010, which excluded processed fresh beef, nearly 42 percent were supplied by Mexico. However, it is notable that beef imports from Mexico still serve a very small portion of overall US beef consumption[1].

There are two reasons for the increasing exports of Mexican beef to the United States: (1) an increase in the number of TIF plants in Mexico (federally inspected slaughter plants meeting standards similar to those in the United States), and (2) an increase in production of grain-fed beef in Mexico, the quality of beef that most often meets the tastes and preferences of U.S. consumers. For meat to be moved across State borders in Mexico or to be exported to the United States, it must be inspected at the Federal level. When the Mexican inspection program began 60 years ago, 15 TIF establishments were operational; that number has grown to 365 TIF plants in 27 States in Mexico, rising almost exponentially in the past few years. In 2010, 75 TIF slaughter establishments were certified, including some preexisting facilities that were converted to adhere to TIF standards. These efforts are being driven by initiatives in Mexico to produce higher quality meat products, become more competitive in the global marketplace, and capture gains from exports. The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) announced this year that another 100 active slaughter establishments will become certified TIF plants (http://www.sagarpa.gob.mx/saladeprensa/boletines2/Paginas/2011B600.aspx). Through October 2011, Mexico exported beef products valued at $452 million, with 60 percent of that earned from beef sent to the United States.

[1] Mexican imports represented less than 1% of total US beef consumption in 2010 (based on data found at http://www.ers.usda.gov/Browse/view.aspx?subject=AnimalProductsCattleBeef)

U.S. beef imports from Mexico (1994-2010)

Figure 1



Source: USDA, FAS, Global Agricultural Trade System.

The increase in TIF plants has resulted in an increase in boxed beef and higher-quality, exportable beef cuts. Since TIF plant production of boxed beef is increasing as it replaces traditional hot-carcass (with viscera) marketing on a value basis, not only is there a greater supply of the primal and sub-primal cuts that are in greater demand by U.S. consumers compared with Mexican consumers— such as tenderloin (filete), loin (lomo), sirloin (aguayón), ribs (costillas), and short ribs (agujas cortas), for example—but there is more trim available for processing. Trim is also in greater demand in the United States relative to the Mexican market, where beef from culled animals is not ground but is consumed as muscle cuts. Mexican consumers tend to prefer the leaner cuts of beef, such as the chuck and round, with little or no marbling, since the traditional grass-fed beef production system in Mexico produces leaner beef.

Although Mexican consumers still prefer traditional cuts and processing methods, changing preferences in certain areas have resulted in growing demand in Mexico for the flavor and other attributes of grain-fed beef. As a result, increasing numbers of cattle are being fed through semi-intensive and intensive feedlot operations (table 1). One limitation to Mexico's beef production is forage availability, but with greater numbers of cattle finished in the feedlot rather than on pastures, more forage resources are being released for cow-calf production This, in turn, will allow for greater total beef production in Mexico. Grain-fed beef is still produced in a somewhat less intensive system compared with U.S. feedlot production—feeding periods are shorter and carcasses are considerably leaner, with little or no marbling—but this is still a significant shift from the traditionally grass-fed beef production systems where animals have yellow fat and are often 3-4 years old at slaughter.

In addition, feed consumption of coarse grains in Mexico has trended up over the last couple of decades, supporting the expanding Mexican beef production and

feedlot industry (fig. 2). The increase in dried distillers' grains (DDGs) exported to Mexico in recent years (fig. 3) has also supported the increase in Mexican cattle feeding.

An increase in TIF processing capacity, changes in beef demand in Mexico and the increase in Mexican grain-fed cattle for slaughter are resulting in a greater supply of beef available and of interest to the U.S. import market. The Mexican beef industry continues to improve infrastructure and marketing channels but still faces challenges in competing for inputs, feed sources, and forage and land availability from domestic crop production. Mexico has the potential to keep growing as a supplier of beef to the United States as the changes in demand, cattle feeding, and slaughter in recent years are sustained.

Table 1—Approximate feedlot capacity in Mexico

Region/State	Capacity (head)
Mexicali, Baja California	120,000
Sonora 100,	000
Comarca Lagunera[1]	60,000
Monterrey, Nuevo León	125,000
Tampico/Huasteca[2]	35,000
Culiacán, Sinaloa	90,000
Guadalajara, Jalisco	190,000
Other	60,000
Total National	780,000

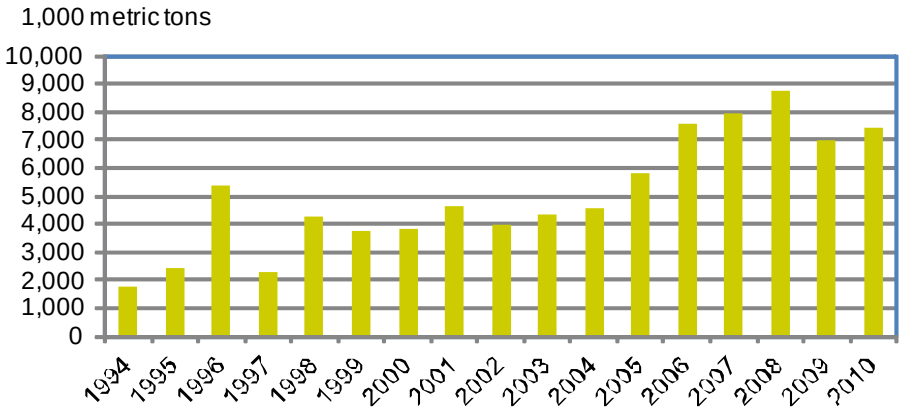
Source: Peel, Mathews, and Johnson, 2011

[2] Comarca Lagunera is located in north-central Mexico, between the southeast of Coahuila and the northeast of Durango.

[3] Tampico is a city in the State of Tamaulipas; La Huasteca is a region that encompasses parts of several States.

Domestic feed consumption of coarse grains in Mexico

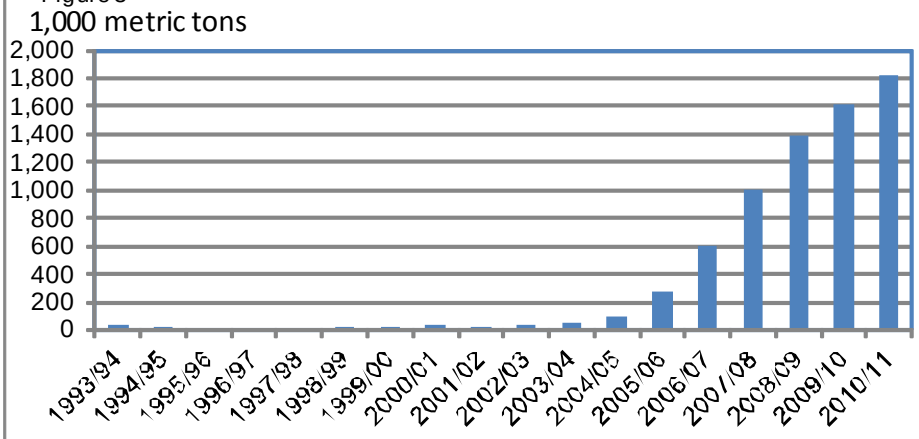
Figure 2



Source: USDA, FAS, Global Agricultural Trade System.

U.S. dried distiller's grain exports to Mexico

Figure 3



Source: USDA, FAS, Global Agricultural Trade System.

Pork/Hogs

Quarterly Hogs and Pigs Report Points to Slightly Larger Hog Production in 2012

Estimates published in The Quarterly Hogs and Pigs report issued by USDA on December 23, suggest that there will be a small increase in the supply of slaughter-ready hogs in 2012. Such increases will likely be the product of modest farrowing increases and continued-strong gains in litter rates. Unlike most recent sector expansions, expected hog production increases in 2012 appear set to depend less on expanded breeding inventory numbers, and more on increasing litter rates via genetic improvements, along with enhanced management and animal care technologies.

The quarterly report indicated that producers farrowed slightly more sows (+0.5 percent, year-over-year) in the fall quarter of 2011. Strong year-over-year gains in the litter rate however, yielded a pig crop almost 2 percent greater than the fall 2010 crop. A larger second-half 2011 pig crop (a 0.7 percent larger summer 2011 pig crop, and a 1.8 percent larger fall 2011 pig crop) points to a larger first-half 2012 hog slaughter.
The report also indicated that hog producers intend to farrow fractionally fewer sows (-0.1 percent) in the first half of 2012 compared with the same period a year ago. Again however, forecast year-over-year larger litter rates are expected to lift first-half pig crops—which are slaughtered in the second half of 2012—to almost 2 percent ahead of second-half 2011 pig crops.

Larger pig crops available for slaughter in 2012, about the same number of live swine imports from Canada, and slightly higher estimates for average dressed weights are together expected to result in total commercial pork production of 23.2 billion pounds in 2012, a year-over-year increase of almost 2 percent.

Prices of hogs and pork in 2012 are expected to reflect slightly larger hog supplies, in the face of expected-small production increases and stable exports. However, significantly higher prices for substitute animal proteins—beef in particular--are expected to provide some support for U.S. pork sector prices in 2012. Prices of live 51-52 percent hogs are expected to average $63-$65 per cwt for the first quarter, $66-$70 per cwt in the second quarter, $66-$72 per cwt in the third quarter, $57-$61 per cwt in the fourth quarter and between $63-$67 per cwt for the year. Retail pork prices in 2012 are expected to average in the mid-to-low $3.50s per pound.

November Pork Exports Were The Highest…Ever

U.S. pork exports in November were more than 505 million pounds, almost 25 percent greater than a year earlier, and a new monthly volume record. Shipments to China made the difference between a “strong” month, and a spectacular one. Exports to China were almost 118 million pounds. This is the most U.S. pork ever shipped to China, and was almost 4 times greater than U.S. exports to China in November 2011.

Twice in the last few years—2008 and 2011—China has imported U.S. pork in quantities sufficient to sharply accelerate U.S pork export volumes, and to move U.S. domestic pork prices higher, for sustained periods. The two Chinese “buys”

have each been in response high domestic pork prices, brought about in each instance by disease outbreaks (ie, PRRS, sometimes termed blue ear disease) that reduced domestic pork production flows. Domestic pork production shortfalls and interruptions elevated consumer pork prices to a point where China dramatically increased imports of the animal protein most favored by Chinese consumers.

Total Chinese demand for imported pork in 2012 is expected to be in about the same ballpark as 2011. http://www.fas.usda.gov/psdonline/circulars/livestock_poultry.pdf . Total U.S. pork exports in 2012 are forecast at 5.1 billion pounds, about the same as in 2011.

Pork imports in November, at 75 million pounds, were slightly ahead of a year ago—1.7 percent compared with November 2010—with most of the increase coming from Canada. Imports of live swine from Canada in November ran about 9 percent ahead of a year earlier. Import of early-weaned pigs accounted for most of the increase. Seasonally strong U.S. prices of early-weaned pigs likely drew more animals out of Canada. Since late in the fourth quarter, and currently, cash prices of early-weaned pigs have been running well ahead of formula-priced pigs, as is typical for this time of year. http://www.ams.usda.gov/mnreports/nw_ls255.txt

Poultry

Broiler Production Estimate for Fourth-Quarter 2011 Decreased

Broiler meat production in fourth-quarter 2011 is expected to total 8.93 billion pounds, down 50 million pounds from the previous estimate. This adjustment follows production declines in both October and November. A combination of an expected smaller number of broilers being slaughtered and falling average weights is behind the expected decline.

Broiler meat production in November 2011 was 2.9 billion pounds, a decrease of 7.1 percent from a year earlier. Broiler meat production has decreased on a year-over-year basis in each of the last 3 months. The number of broilers slaughtered in November was down 6.2 percent from November 2010, and this decrease was compounded by a decline (1 percent) in the average liveweight for birds at slaughter (to 5.82 pounds). Broiler meat production in December is again expected to show a decrease due to a reduced number of birds slaughtered at a lower average liveweight.

The outlook for broiler meat production in 2012 has changed over the last several months, due to sharp changes in the number of chicks being placed for growout and average broiler weights at slaughter. At the beginning of January, the 5-week moving average (December 10 through January 7) showed that the number of chicks being placed for growout was averaging 3.6 percent lower than the previous year. The decrease in the number of chicks being placed for growout from the same period a year earlier is now about half what it was in mid-November. A less drastic reduction in the number of chicks points to possibly smaller declines in broiler meat production in the first half of 2012. This could be affected by whether broiler liveweights remain below the previous year, as they did in November, or average higher than the previous year as they did in the first 10 months of 2011.

Broiler meat stocks at the end of November 2011 totaled 627 million pounds, down 40 million pounds from the end of October and 15 percent lower than at the end of November 2010. Reduced broiler meat production over the second half of 2011 has resulted in generally lower broiler stocks on a year-over-year basis during the last 4 months. A greater decrease in broiler stocks would have been seen except that stocks of whole birds and breast meat have continued to remain above those of the previous year. At the end of November, whole bird stocks totaled 16 million pounds, 14 percent higher than the previous year, and stocks of breast meat products were 146 million pounds, up 28 percent from the end of November 2010. Stock levels for all other categories of broiler products were significantly lower than the previous year, with leg quarters, down 47 million pounds or 39 percent from the previous year, accounting for a major portion of the decrease. Broiler stocks are expected to total 600 million pounds at the end of 2011, down 22 percent from the previous year and 50 million pounds less than the previous estimate. With continued declines in broiler meat production through the first three quarters of 2012 and expected strong exports, ending stocks in 2012 are again expected to be below a year earlier during the first three quarters of the year.

Falling broiler meat production, decreases in the stock levels for most broiler parts, and strong prices for many beef and pork products have combined to gradually push wholesale prices for broiler products higher. Prices for boneless/skinless breast

meat in the Northeast market were lower than the previous year for the first 10 months of 2011. However, these prices were marginally higher in November 2011 than a year earlier. In December prices for boneless/skinless breast meat rose to $1.26 per pound, up 10 percent from December 2010. The price change for whole birds shows much the same pattern. Prices for whole birds were lower in 10 of the first 11 months of 2011. In December whole bird prices rose by almost 4 cents per pound from November and were 2 percent higher than a year earlier. Prices for leg quarters in the Northeast market have been relatively strong through most of the year, as a result of large export shipments. Prices averaged $0.52 per pound in December, a small increase from the previous month, but 42 percent higher than in December 2010. Wing prices have risen strongly since August, gaining over $0.50 per pound. If wing prices follow a normal seasonal pattern, they will peak in January and then start to decline. With lower numbers of broilers expected to be slaughtered, even as wing prices decline seasonally they are likely to remain above year-earlier levels. Prices for other broiler products were also higher in December compared with a year earlier, and most of the gains were significant.

Turkey Prices Higher in Fourth-Quarter 2011

In 2011, prices for whole hen turkeys were consistently higher than the previous year. In fact, on a year-over-year basis, monthly frozen whole hen turkey prices have been higher for the last 25 consecutive months. Both lower stock levels and a strong export market have placed upward pressure on prices. December prices for whole hens averaged $1.07 per pound, down seasonally from November, but 9 cents per pound (9 percent) higher than the previous year. Prices in fourth-quarter 2011 averaged $1.12 per pound, 8 percent higher than the previous year, and 5 cents per pound higher than in the third quarter. With relatively low stock levels going into 2012, whole hen prices are expected to remain above year-earlier levels through first-quarter 2012, then fall to slightly lower than the previous year for the rest of 2012.

Turkey production in November was 511 million pounds, down 1.8 percent from a year earlier. The decrease in production came from a lower number of birds slaughtered and declines in the average weight per bird at slaughter; the number of turkeys slaughtered was down 0.9 percent from the previous year and the average weight at slaughter fell to just over 28 pounds, a decline of 0.6 percent. The lower weights at slaughter over the last 2 months have been an abrupt change from earlier in the year. In the first two quarters of 2011, the quarterly average weights were up more than 1 percent from the previous year and were 2 percent higher in the third quarter. With the reductions in weights, the estimate for fourth-quarter 2011 turkey meat production was lowered by 10 million pounds to 1.5 billion pounds, up less than 1 percent from the previous year. The turkey meat production estimate for 2012 is 5.8 billion pounds, up 1 percent from 2011, with the majority of the growth coming in the second half of the year.

Ending stocks for all turkey products in fourth-quarter 2011 are expected to be 205 million pounds, up about 7 percent from the very low stock levels for the same period in 2010. At the end of November, cold storage holdings for turkey totaled 193 million pounds, 11 percent higher than a year earlier. The increase was due to larger cold storage holdings of both whole birds (up 18 percent) and turkey parts (up 9 percent). The increase in whole bird stocks was a change from a long-

standing pattern. On a year-over-year basis, stocks of whole turkeys have been lower for the last 25 consecutive months. With turkey production expected to be only slightly higher in the first half of 2012 (up less than 1 percent), turkey cold storage totals are expected to remain very close to those for 2011.

Eggs Prices Higher in Fourth-Quarter 2011

Even with table egg production expected to be above year-earlier levels in fourth-quarter 2011, wholesale egg prices have remained strong through the end of the year. Wholesale prices for a dozen grade A large eggs in the New York market averaged $1.31 in fourth-quarter 2011, up 7 percent from the same period in 2010 and up 11 percent from third-quarter 2011. During 2011, prices averaged $1.15 per dozen, up 9 cents from 2010, as higher prices, especially in the second and third quarters, offset lower prices in the first quarter of 2011. With table egg production expected to expand in 2012, prices are not expected to be as strong, averaging $1.02 to $1.10 per dozen, about 8 percent lower than the previous year. This forecast will be dependent on both feed prices and the pace of economic recovery, with faster economic growth placing greater upward pressure on prices, especially in the second half of the year.

Table egg production in November 2011 was 551 million dozen, up 1.2 percent from the previous year. It has been higher in each of the first three quarters of 2011, and for all of 2011 is estimated at 6.6 billion dozen, which would be a gain of 0.8 percent. Production in 2012 is expected to increase at more or less the same pace, with yearly production estimated at 6.66 billion dozen, a gain of less than 1 percent.

With continuing declines in broiler production forecast for the first three quarters of 2012, the estimate for hatching egg production in 2012 is for 1.04 billion dozen, down 1.5 percent from 2011. Hatching egg production is expected to be lower than the previous year through the first three quarters of 2012, but to show positive growth in the fourth-quarter.

Production of hatching eggs in November 2012 totaled 83 million dozen, down 3.6 percent from a year earlier. All of the decrease was due to smaller production of broiler-type hatching eggs, as production of egg-type hatching eggs was up 3.1 percent from the previous year. The estimate for hatching egg production in fourth-quarter 2011 is 255 million dozen, down 4 percent from fourth-quarter 2010. The decline in broiler-type hatching egg production has been somewhat less than the decline in the number of hens in the broiler-type hatching egg flock as the rate of lay per 100 hens has increased from the previous year. The number of hens in the flock totaled 50.1 million during November, down 7 percent from the previous year.

Total egg exports in November were the shell egg equivalent of 21.5 million dozen, up 12.8 percent from the previous year. Strong domestic egg prices in the United States resulted in only a small expansion in exports of shell eggs, up 1.5 percent to 11.2 million dozen, while exports of egg products rose to the equivalent of 10.3 million, with shipments to Japan up 113 percent and shipments to Hong Kong up 39 percent.

Poultry Trade

November Broiler Shipments Were Down and Turkey Shipments Up from a Year Ago

November 2011 broiler shipments totaled 606.2 million pounds, 9-percent less than a year ago. Turkey shipments were up from a year earlier. November turkey shipments totaled 68.6 million pounds, a 6-percent increase from a year ago.

November Broiler Shipments Fell from a Year Ago

November 2011 broiler shipments totaled more than 606.2 million pounds, a 9-percent drop from a year earlier. The decline reflects large drops to Russia, Cuba, and Angola, but some major markets including Iraq, China, and South Korea partly offset the decline. When comparing broiler shipments in November 2011 to those shipped in November 2010, shipments to Iraq increased by 300-percent, while shipments to China and South Korea increased 140-percent and 81-percent, respectively, over the same period.

Although November exports were down from a year ago, broiler exports for the quarter are expected to remain relatively strong, one indicator being stable leg-quarter prices. Over the past 4 months (September-December), the average leg-quarter price (wholesale price in the Northeast) has ranged from 51.9 cents to 53.1 cents per pound, which likely indicates continued strong export demand. Because broiler exports were strong during October and November, the 2011 four-quarter projection was revised up 50 million pounds, pushing total projected shipments to 1.850 billion pounds.

Turkey Shipments Up Slightly in November from a Year Ago

Turkey shipments totaled 68.6 million pounds in November 2011, a 6-percent increase from last year. Mexico has been the largest U.S. turkey market for years and continues to account for at least 50-percent of the U.S. total turkey shipments. Besides Mexico, the increase in November turkey shipments consisted of strong imports from Hong Kong. Hong Kong imported over 6.4 million pounds, which was 9-percent of U.S. total turkey exports in November 2011. Turkey exports have been up, even as ending stocks have been down and prices of mechanically separated turkey meat, and whole turkey have been up. A possible reason for the increase in turkey shipments, in spite of rising domestic turkey prices, is that turkey products are still relatively cheaper than some of the other sources of animal proteins.

Dairy

Modest Increases in Milk Production and Lowered Export Prospects This Year Will Push Down Prices Compared With 2011

The forecast 2011/12 season-average corn price was lowered 20 cents on each end of the range to $5.70 to $6.70 per bushel. Prices received by producers remain below cash bids, limiting upward potential in the season-average farm price. Forecast soybean meal prices were raised this month by $10 a ton on each end of the range to $290 to $320 per ton. The preliminary December milk-feed price ratio was calculated at 1.88 in the December Agricultural Prices report. Based on price forecasts for feed ingredients, 2012 ration values could be somewhat lower than in 2011, but are likely to remain high by historical standards. Milk prices are expected to be lower in 2012 than in 2011, suggesting the milk-feed price ratio is unlikely to improve this year.

Producers may still be adjusting to the rise in feed prices that began last year and the prospect of lower milk prices in 2012. The fourth-quarter 2011 estimate for cow numbers was lowered slightly; but when rounded, resulted in no change from December's 9,200 thousand head. No change was made in 2011 output per cow, which is projected to be 21,315 pounds. Herd size forecasts for 2012 were unchanged from December, and herd size will likely decline slightly from 2011 to 9,190 thousand head. The total milk production forecasts for both 2011 and 2012 remain unchanged from December at 196.0 and 198.5 billion pounds, respectively. The January 27 Cattle report will provide an indication of producer intentions for heifer retention.

Fat basis milk equivalent imports for 2011 were raised this month from 3.3 to 3.4 billion pounds, due mainly to an unexpectedly large rise in cheese imports in October. Butterfat also logged an increase in October, but not as large as the rise in cheese imports. For 2012, cheese and butterfat imports are expected to remain stable and in line with 2011 levels; consequently, the import forecast is increased slightly to 3.3 billion pounds. The 2011 milk equivalent imports on a skim-solids basis were raised from last month to 5.4 billion pounds. As with the fat basis forecast, higher cheese imports last fall are largely responsible for the rise. The higher skim-solids basis imports for cheese were offset by slower casein imports. The 2012 skim-solids import forecast was adjusted down to 5.1 billion pounds due to lower expected imports of milk protein concentrates.

Fat basis exports for 2011 were unchanged from last month at 9.3 billion pounds. However, there was some shifting among products. Butterfat exports were off sharply for October, but the lower butterfat export was offset by higher cheese and food product exports. The fat basis export forecast for 2012 remains at 8.6 billion pounds, unchanged from December. Butterfat exports are expected to remain weak this year. On a skim-solids basis, 2011 export projections were raised 200 million pounds from December to 33.8 billion pounds due to higher movement in lactose, food products, and infant preparations. Skim-solids basis exports are forecast at 31.9 billion pounds in 2012, unchanged from December.

Year-ending stocks on both a fat and skims-solids basis were adjusted downward slightly for both 2011 and 2012. The lower 2012 ending stock forecast is based largely on lower carryin stocks. Butter stocks at the end of November were above

2010 levels but still below those of 4 out of the most recent 5 years. Stocks of all natural cheeses are above those of the most recent 5 years except for 2010. Similarly, nonfat dry milk (NDM) stocks are above those of the last 5 years except for 2008.

Higher milk production, and lower export prospects in 2012 will pressure prices in 2012 compared with 2011 for all products except whey. The 2012 prices forecasts were changed only slightly this month compared with December. The 2012 cheese price is forecast at $1.655 to $1.735 a pound, down slightly from December. The forecast butter price is unchanged from December at $1.605 to $1.715 a pound. These forecasts are based on the current price weakness for these products. Only NDM and whey prices were raised, based on current price strength and the expectation that export demand will remain firm. The 2012 NDM price is forecast at $1.370 to $1.430 a pound, up slightly from December. Likewise, the whey price forecast was boosted from December to 60.5 to 63.5 cents a pound. The Class III milk price was raised from December to $17.10 to $17.90 per cwt based mostly on expected strong whey prices. The Class IV price was also raised from December to $16.45 to $17.35 per cwt based on higher expected NDM prices. The all milk price is forecast at $18.30 to $19.10 per cwt, also a rise from December.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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

	2010					2011					2012			
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV
Production, million lb														
Beef	6,248	6,547	6,768	6,741	26,304	6,411	6,559	6,737	**6,480**	**26,187**	**6,195**	**6,330**	**6,420**	**6,020**
Pork	5,607	5,301	5,401	6,126	22,437	5,720	5,371	5,483	**6,185**	**22,759**	**5,825**	**5,480**	**5,595**	**6,290**
Lamb and mutton	43	40	39	42	164	36	40	36	**36**	**148**	**39**	**37**	**35**	**41**
Broilers	8,732	9,198	9,496	9,484	36,911	9,291	9,501	9,526	**8,925**	**37,243**	**8,800**	**9,100**	**9,300**	**9,300**
Turkeys	1,339	1,383	1,415	1,506	5,643	1,402	1,471	1,423	**1,500**	**5,796**	**1,400**	**1,475**	**1,450**	**1,520**
Total red meat & poultry	22,057	22,535	23,194	24,059	92,097	23,014	23,106	23,381	**23,288**	**92,789**	**22,416**	**22,582**	**22,966**	**23,329**
Table eggs, mil. doz.	1,611	1,627	1,645	1,667	6,550	1,627	1,639	1,652	**1,685**	**6,603**	**1,650**	**1,650**	**1,655**	**1,690**
Per capita disappearance, retail lb 2/														
Beef	14.6	15.1	15.3	14.6	59.6	14.1	14.5	14.6	**14.1**	**57.4**	**13.4**	**13.7**	**13.8**	**13.2**
Pork	11.8	11.4	11.7	12.8	47.7	11.4	11.1	11.0	**12.3**	**45.8**	**11.5**	**11.2**	**11.2**	**12.6**
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	**0.2**	**0.9**	**0.2**	**0.2**	**0.2**	**0.2**
Broilers	20.1	20.5	21.4	20.3	82.3	21.5	21.4	20.7	**19.3**	**82.9**	**19.4**	**20.0**	**20.1**	**20.0**
Turkeys	3.5	3.6	4.1	5.1	16.4	3.5	3.5	3.9	**5.2**	**16.2**	**3.5**	**3.6**	**4.0**	**5.2**
Total red meat & poultry	50.7	51.2	53.2	53.6	208.7	51.2	51.2	50.8	**51.6**	**204.8**	**48.5**	**49.1**	**49.9**	**51.6**
Eggs, number	61.4	61.3	62.0	62.7	247.3	60.9	61.2	62.1	**63.0**	**247.3**	**61.9**	**61.8**	**61.8**	**62.6**
Market prices														
Choice steers, 5-area Direct, $/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	**114.73**	**119-123**	**119-127**	**120-130**	**122-132**
Feeder steers, Ok City, $/cwt	98.73	112.65	112.29	114	109.31	127.20	131.09	134.74	141.93	**133.74**	**140-146**	**140-148**	**140-150**	**140-150**
Cutter Cows, National L.E., $/cwt	51.79	58.79	58.90	54.93	56.1	68.66	74.88	66.11	63.54	**68.3**	**65-67**	**73-77**	**71-77**	**69-75**
Choice slaughter lambs, San Angelo, $/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.93	**160.68**	**153-158**	**145-155**	**145-155**	**150-160**
Barrows & gilts, N. base, l.e. $/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	**66.11**	**63-65**	**66-70**	**66-72**	**57-61**
Broilers, 12 City, cents/lb	82.2	85	84.5	80	82.9	77.9	82.6	78.8	76.8	**79**	**80-84**	**80-86**	**82-88**	**80-86**
Turkeys, Eastern, cents/lb	75.6	84.4	97.9	103.7	90.4	90.2	99.9	106.4	111.6	**102**	**94-98**	**96-102**	**100-108**	**103-111**
Eggs, New York, cents/doz.	126	82.8	93.1	123.2	106.3	105.8	106.6	117.7	131.2	**115.3**	**112-116**	**92-98**	**96-104**	**110-120**
U.S. trade, million lb														
Beef & veal exports	478	585	590	646	2,299	633	702	769	**675**	**2,779**	**695**	**735**	**700**	**645**
Beef & veal imports	573	690	598	436	2,297	461	593	548	**450**	**2,052**	**500**	**565**	**535**	**490**
Lamb and mutton imports	47	46	31	42	166	50	48	31	**43**	**172**	**47**	**45**	**40**	**40**
Pork exports	1,046	1,081	951	1,146	4,224	1,247	1,204	1,261	**1,400**	**5,112**	**1,300**	**1,215**	**1,250**	**1,350**
Pork imports	199	204	237	219	859	201	195	194	**210**	**800**	**195**	**190**	**195**	**205**
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,530	1,584	1,998	**1,850**	**6,962**	**1,675**	**1,725**	**1,800**	**1,800**
Turkey exports	114	136	158	174	582	160	171	173	**170**	**674**	**155**	**155**	**160**	**170**
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	**1,450**	**5,738**	**1,465**	**1,435**	**1,405**	**1,440**

1/ Forecasts are in bold.

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

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

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Dairy Forecasts

	2010		2011					2012				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,130	9,117	9,165	9,198	9,209	9,215	9,195	9,215	9,200	9,170	9,160	9,185
Milk per cow (pounds)	5,208	21,149	5,283	5,483	5,290	5,260	21,315	5,395	5,540	5,345	5,330	21,610
Milk production (bil. pounds)	47.5	192.8	48.4	50.4	48.7	48.5	196.0	49.7	51.0	49.0	48.8	198.5
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	47.3	191.8	48.2	50.2	48.5	48.2	195.1	49.5	50.7	48.8	48.6	197.6
Milkfat (bil. pounds milk equiv.)												
Milk marketings	47.3	191.8	48.2	50.2	48.5	48.2	195.1	49.5	50.7	48.8	48.6	197.6
Beginning commercial stocks	12.2	11.3	10.9	12.1	13.4	12.4	10.9	10.7	12.8	14.6	13.6	10.7
Imports	0.9	4.1	0.8	0.7	0.8	1.1	3.4	0.8	0.8	0.8	0.9	3.3
Total supply	60.4	207.2	59.9	63.0	62.6	61.8	209.4	61.0	64.3	64.1	63.1	211.5
Commercial exports	2.2	8.3	2.5	2.7	2.2	1.9	9.3	2.0	2.2	2.2	2.2	8.6
Ending commercial stocks	10.9	10.9	12.1	13.4	12.4	10.7	10.7	12.8	14.6	13.6	11.4	11.4
Net removals	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	47.3	187.8	45.3	47.0	48.0	49.2	189.5	46.2	47.5	48.3	49.5	189.5
Skim solids (bil. pounds milk equiv.)												
Milk marketings	47.3	191.8	48.2	50.2	48.5	48.2	195.1	49.5	50.7	48.8	48.6	197.6
Beginning commercial stocks	12.5	11.3	12.3	11.9	12.9	12.3	12.3	12.0	12.2	12.9	12.3	12.0
Imports	1.3	4.8	1.3	1.2	1.3	1.6	5.4	1.3	1.3	1.2	1.3	5.1
Total supply	61.0	208.0	61.7	63.3	62.7	62.1	212.7	62.8	64.2	62.9	62.2	214.7
Commercial exports	8.7	32.1	8.4	8.4	8.6	8.4	33.8	7.9	8.1	8.0	7.9	31.9
Ending commercial stocks	12.3	12.3	11.9	12.9	12.3	12.0	12.0	12.2	12.9	12.3	12.0	12.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	40.0	164.0	41.5	42.0	41.7	41.7	167.0	42.7	43.3	42.6	42.3	170.8
Milk prices (dol./cwt) 1/												
All milk	17.70	16.26	18.73	20.13	21.67	20.03	20.14	18.50 -18.90	17.75 -18.45	18.15 -19.15	18.80 -19.80	18.30 -19.10
Class III	15.40	14.41	16.63	17.50	20.71	18.62	18.37	16.90 -17.30	16.70 -17.40	17.50 -18.50	17.35 -18.35	17.10 -17.90
Class IV	16.29	15.09	18.08	20.37	20.00	17.72	19.04	16.55 -17.05	16.45 -17.25	16.45 -17.55	16.30 -17.40	16.45 -17.35
Product prices (dol./pound) 2/												
Cheddar cheese	1.614	1.523	1.708	1.751	2.041	1.799	1.825	1.610 -1.650	1.610 -1.680	1.710 -1.810	1.695 -1.795	1.655 -1.735
Dry whey	0.373	0.372	0.425	0.499	0.570	0.635	0.535	0.645 -0.665	0.605 -0.635	0.585 -0.615	0.585 -0.615	0.605 -0.635
Butter	1.955	1.702	1.990	2.052	2.030	1.728	1.950	1.585 -1.655	1.620 -1.720	1.615 -1.745	1.600 -1.730	1.605 -1.715
Nonfat dry milk	1.183	1.169	1.373	1.611	1.578	1.461	1.506	1.390 -1.430	1.360 -1.420	1.365 -1.435	1.355 -1.425	1.370 -1.430

1/ Simple averages of monthly prices. May not match reported annual averages.
2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm

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