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Livestock, Dairy, and Poultry Outlook

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Rain and Disease Reduce Red Meat Production Outlook

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Tables will be released on July 29, 2014

The next newsletter release is Aug 18, 2014

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Recent rains have improved pasture conditions in many parts of the United States, prompting demand for lighter weight feeder cattle and reducing cow slaughter. Cattle and beef prices have continued to set successive record highs due to foreign demand and low cattle inventories.

Beef/Cattle Trade: U.S. cattle imports through May 2014 were 7 percent higher than a year earlier and are forecast to total 2.075 million head for the year. The forecast for U.S. beef imports was raised to 2.521 billion pounds in 2014 and 2.560 billion pounds in 2015 as lower U.S. production will increase demand for imported processing beef. U.S. beef exports were up 6 percent through May but are forecast to decline 3 percent in 2014 due to higher U.S. beef prices.

Recent Livestock, Dairy and Poultry Special Articles

“Effect of the Trans-Pacific Partnership on U.S. Dairy Trade,” pdf pages 19-25 of November 2013 Livestock, Dairy, and Poultry Outlook report
(<http://www.ers.usda.gov/media/1221780/specialarticleldpm233.pdf>)

“Determinants of Japanese Demand for U.S. Pork Products in 2012,” pdf pages 20-25 of the May 2013 Livestock, Dairy, and Poultry Outlook report
(<http://www.ers.usda.gov/media/1106754/ldpm227.pdf>)

“U.S. Pork Production Rises on a Smaller Base of Breeding Animals,” pdf pages 16-19 of the April 2013 Livestock, Dairy, and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

“Implications of the Trans-Pacific Partnership for Meat, Poultry, and Seafood Trade,” pdf pages 20-24 of the April 2013 Livestock, Dairy, and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

Pork/Hogs: USDA adjusted 2014 and 2015 pork production lower, based on losses from Porcine Epidemic Diarrhea (PEDv) reported in the Quarterly Hogs and Pigs. For 2014, hog prices are expected to average almost 25 percent above prices last year. Pork exports in May were slightly ahead of a year ago. Russia bought 20.7 million pounds of ractopamine-free U.S. pork in May.

Poultry: The forecast for broiler meat production in the second half of 2014 is 19.4 billion pounds, less than 1 percent higher than the previous year as the weekly number of chicks being placed for growout continues to average slightly lower than the previous year. The small growth in broiler production is expected to place upward pressure on prices and cause declines in cold storage holdings. Egg prices averaged \$1.35 per dozen in second-quarter 2014, 23 percent above the previous year. Even with higher production, egg prices have benefited from strong prices for almost all meat products.

Poultry Trade: Turkey and egg and egg product shipments in May were down from a year ago, while Broiler exports were up. Broiler shipments totaled 636.5 million pounds in May 2014, an increase of 2.1 percent from a year earlier. Egg shipments decreased 17.5 percent from a year ago, totaling 31.3 million dozen, while turkey exports totaled 60.3 million pounds in May 2014, a 3.2-percent decrease from the previous May.

Sheep/Lamb: Second-quarter prices averaged \$148.99 per cwt, declining nearly \$20 from the first-quarter levels. Thin markets have resulted in large swings in monthly Choice slaughter lamb prices at San Angelo. Prices are expected to stabilize for the rest of the year as lower demand is expected to become more in line with the tighter supplies of slaughter animals.

Dairy: Milk production is reduced fractionally from June based on lower expected yield per cow. Slightly lower production combined with firm domestic commercial use and exports act to keep milk and dairy product prices high this year. Cow numbers are forecast to rise 2015, based on improved producer returns, leading to higher production. Higher milk production next year will likely lead to lower milk and dairy product prices in 2015.

Recent Rains Boost Cattle Prices

Production forecasts for the corn and soybean crops to be harvested this fall indicate the potential for ample feed supplies. As a result, corn prices are declining. The recent rains have also improved pasture conditions in most of the northern half of the United States. Despite recent improvements, most of the Southern Plains, Southwest, and West remains under serious drought conditions.

The National Agricultural Statistics Service (NASS) will release the much-anticipated semiannual July 1 Cattle report on July 25. This report will provide a first look at heifer retention since precipitation began shifting parts of the Plains States out of their most severe drought designations. Unfortunately, year-over-year comparisons will not be possible because sequestration-mandated budget cuts prevented NASS from gathering data for the July 1, 2013 report. However, what has transpired since July 1, 2012, should be indicative of changes from 2013.

Recent weekly federally inspected cow slaughter has declined significantly for both dairy and beef cows compared with similar periods during the first half of 2013. Year-over-year declines in cow slaughter have been dramatic during the second quarter of 2014, and commercial cow slaughter is on track for a year-over-year decline in the 13-percent range for the first half of 2014. Declines in cow slaughter are anticipated to continue during the third and fourth quarters of 2014, especially if precipitation continues to improve pasture conditions in major cow-calf and stockering areas. Cow-calf producers will be able to retain their remaining cows and stocker operators will be able to stock their pastures. Further support for reduced cow slaughter is also expected from favorable dairy returns, which could encourage some dairy-herd expansion.

Feeder cattle prices have continued their upward march, bolstered by both demand for feedlot cattle and pasture demand. However, if recent auction sales are indicative, demand for light-weight pasture cattle may have been temporarily fulfilled, as indicated by moderating prices, while demand for feedlot replacements has continued to push heavy-weight feeder cattle prices higher. The continuing demand for feedlot replacements may be a result of the withdrawal of heifers from the feeder cattle supplies as heifers are retained for rebuilding cow inventories. As pastures improve with additional rains, heifer retention for cowherd rebuilding could increase, which could reduce feeder cattle supplies further, supporting feeder cattle prices. In addition, many stocker operators now have both pasture and incentives to retain feeder cattle to heavier weights before selling them to cattle feeders.

Despite declining corn prices, cattle-feeding breakeven levels are increasing rapidly as feeder cattle prices rise. While fed cattle prices are also rising, they are being hard pressed to stay ahead of breakeven levels, and futures markets are not currently providing opportunities to cover these increasing costs.

Wholesale beef prices have also increased, setting sequential records in January, March, June, and July, 2014. Further, as retail prices for Choice beef continue their sequential record-march upward, concerns will likely increase over the level at which consumers will begin to push back against the high prices. With the end of

the grilling season in sight, these concerns will likely be realized—but at what price levels, and how sustainable will those levels be in the face of anticipated tight supplies of fed cattle? Declining unemployment and an improving economy will mitigate consumer push-back to some extent.

Beef/Cattle Trade

Cattle Imports Higher in 2014 and 2015

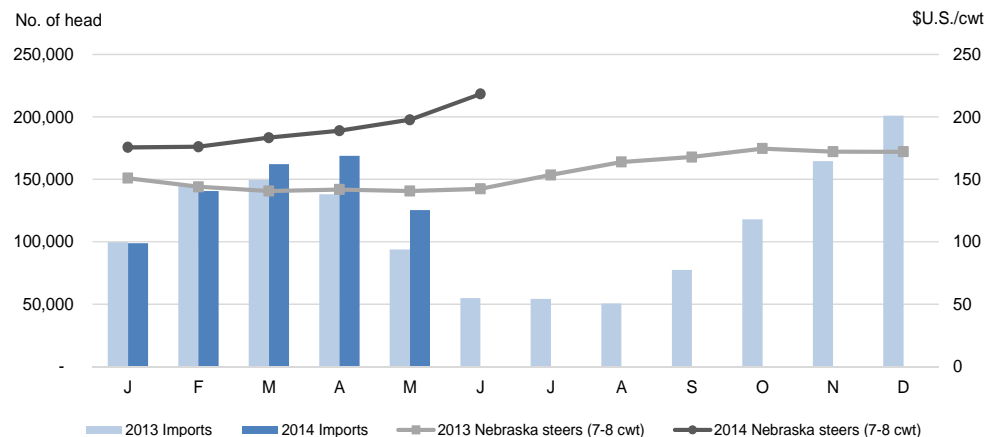
U.S. cattle imports through May 2014 were nearly 7 percent higher than a year earlier. Imports have accelerated from Canada as higher U.S. feeder cattle prices draw cattle across the border (see chart). Feeder cattle imports from Canada have risen 38 percent this year, offsetting a 5-percent decline in slaughter cattle. Beef imports from Mexico, which consist almost entirely of feeder cattle, were almost 2 percent lower than a year earlier. Despite higher prices on offer, Mexican cattle shipments have been limited by thin inventories after several years of herd liquidation. Imports weakened during 2013 and have yet to fully recover in 2014. The forecast for U.S. cattle imports in 2014 was raised slightly to 2.075 million head, about 47,000 head above 2013. Imports are forecast to grow slightly in 2015 to 2.1 million head as lower U.S. inventories are likely to keep demand strong in 2015.

Beef Imports Continue Strong Pace

U.S. beef imports continued to strengthen during May and were 20 percent higher for the month than a year earlier (see chart). Beef production is expected to decline 5 percent in 2014 due to lower cattle supplies, and lower cow slaughter, in particular, will increase demand for imported processing grade beef. Weekly federally inspected cow and bull slaughter through the end of June was about 13 percent lower than a year earlier. Imports during the first 5 months of the year were 8 percent higher overall, including strong shipments from Australia (+ 33 percent), Canada (+10 percent), and Nicaragua (+13 percent)

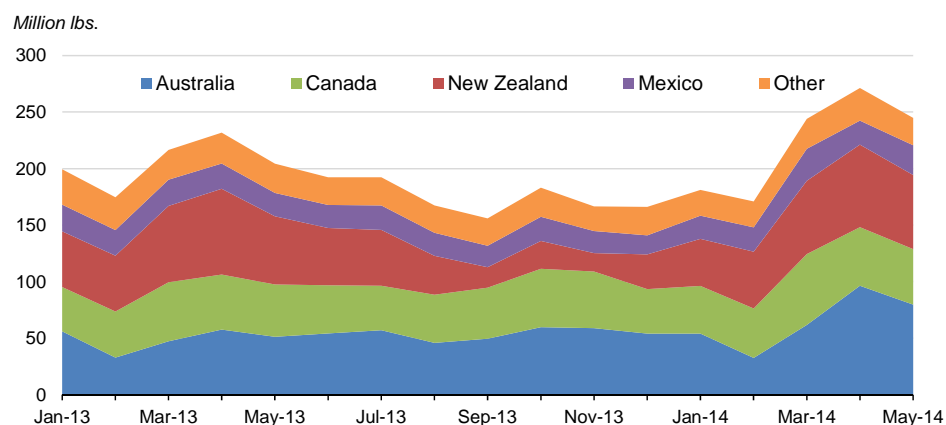
Shipments from Australia have been especially robust as Australian beef production through May 2014 is 9 percent higher than a year earlier. Production has risen as prolonged drought and resulting poor pasture conditions continue to cause heavy herd liquidation. Imports have declined from Uruguay (-22 percent), Brazil (-21 percent), and New Zealand (-2 percent). The forecast for U.S. imports in 2014 was raised to 2.521 billion pounds, a 12-percent increase from 2013 levels. While imports during the first quarter of 2014 were only 1 percent higher than the 2013 level, higher demand for processing beef is expected to increase imports 20 percent during the second quarter and 19 percent during the third quarter compared with last year. Imports should remain strong through 2015 as herd rebuilding will limit growth in U.S. beef production next year. The forecast for 2015 beef imports is 2.560 billion pounds, almost 2 percent higher than 2014.

Monthly U.S. Feeder Cattle Imports and Prices for Nebraska Feeder Cattle (7-8 cwt)



Source: Agricultural Marketing Service, USDA and U.S. Census Bureau.

Monthly U.S. Beef Imports, Jan. 2013 - May 2014



Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

Beef Exports Strengthen to Mexico, Weaken to Japan

U.S. beef exports through May 2014 are up 6 percent from a year earlier. Exports have strengthened to Hong Kong and Mexico, offsetting weaker shipments to Canada, Japan, and Taiwan (see table). Although exports to Japan had been running above year-earlier levels through April, they weakened in May. Imported beef stocks in Japan are well above year-earlier levels and consumption is stable. Exports to Mexico have risen this year, with shipments during May 48 percent higher than the previous May. Second-quarter exports were raised by 10 million pounds due to stronger demand from Hong Kong and Mexico. The forecast for U.S. beef exports in 2014 is 2.518 billion pounds, almost 3 percent lower than 2013. Despite stronger shipments during the first 5 months of the year, exports are expected to fall during the remaining months. Production is forecast to fall nearly 5 percent in 2014 and then 1 percent in 2015 due to reduced cattle inventories and higher heifer retention for herd rebuilding. Prices, which have risen as a result of lower supply, are likely to dampen export demand over the forecast period. The forecast for exports during 2015 is 2.425 billion pounds, 4 percent lower than 2014.

U.S. Beef Exports

	Jan - May 2013 (mil. lbs.)	Jan - May 2014 (mil. lbs.)	Percent change
Japan	250.9	241.0	-4%
Mexico	130.4	184.0	41%
Hong Kong	97.4	163.8	68%
Canada	184.1	146.0	-21%
South Korea	105.8	119.5	13%
Taiwan	42.2	39.5	-6%
Other	143.3	121.1	-16%
Total	954.2	1,014.9	6%

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

Quarterly Hogs and Pigs Report Shows Lower Market-Hog Inventories

The hog and pig numbers published by USDA in the *Quarterly Hogs and Pigs* report issued June 27th showed the effects of PEDv on the U.S. swine herd. The report indicated that the June 1 inventory of market hogs was 5 percent lower than a year ago. The inventory of breeding animals was virtually unchanged from June 1 of last year, despite significantly higher hog prices in 2014 that—in the absence of a major disease outbreak such as PEDv—would typically have led to industry expansion. With new information from the June report, USDA lowered pork production slightly in both 2014 and 2015 relative to pre report production forecasts.

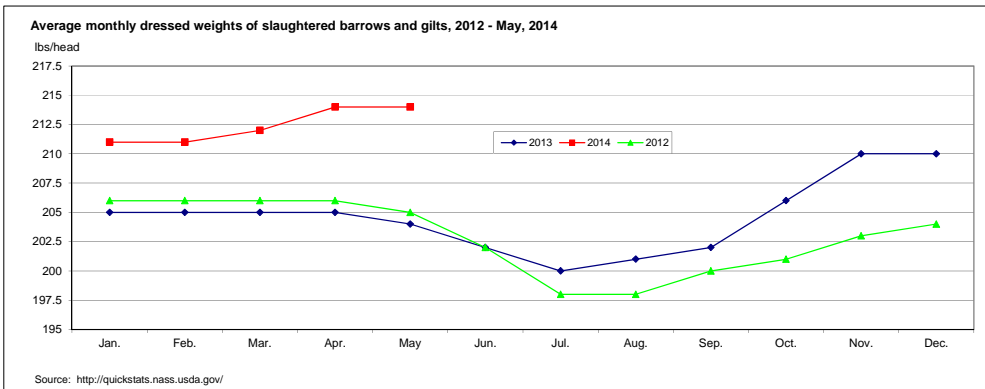
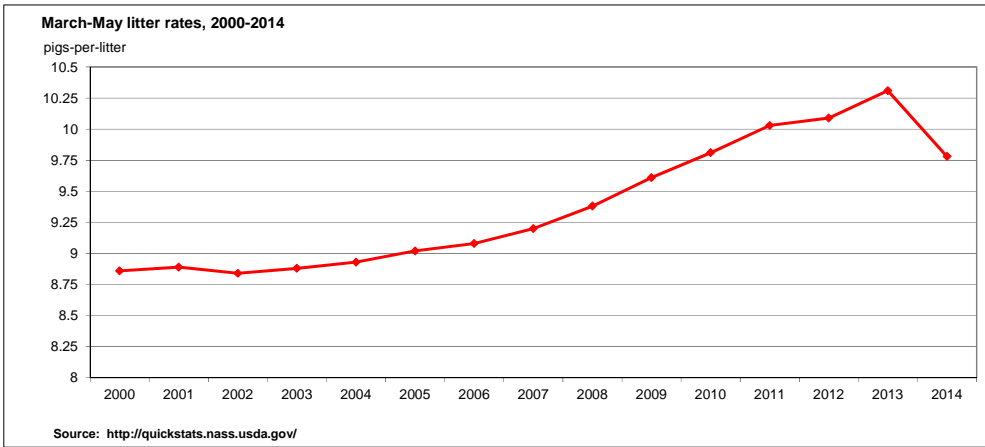
Pork production for 2014 is expected to be about 22.76 billion pounds, 1.89 percent below production in 2013. This reduction is only slightly below the pre report production forecast of 22.82 billion pounds. In the second half of 2014, significantly higher dressed weights are expected to limit production declines due to lower supplies of slaughter-ready hogs from PEDv-reduced pig crops. Third-quarter average prices of live equivalent 51-52 percent lean hogs are expected to be \$86-\$90 per cwt, almost 25 percent above prices a year ago. Fourth-quarter average prices are expected to be \$76-\$82 per cwt, more than 29 percent higher than in the same period last year.

U.S. pork production in 2015 is expected to be 23.24 billion pounds. This volume is 2.1 percent higher than the production forecast for 2014 and slightly reduced from the pre report forecast of 23.3 billion pounds. The year-over-year production increase next year is premised on larger farrowings, slowly increasing litter rates, and slightly higher average dressed weights. Average hog prices next year are expected to be \$75-\$81, about 3 percent below prices this year but almost 21 percent above average hog prices in 2013.

Primary Drivers of Current Hog Production: Lower Litter Rates from PEDv and Significantly Higher Dressed Weights

The figures below capture two primary drivers of U.S hog production since the second half of 2013: the onset of PEDv, which has resulted in fewer animals, while lower feed prices and excess barn space from PEDv deaths have allowed producers to slow down the finishing process in order to add weight to surviving animals, thereby limiting production losses. Figure 1 shows litter rates from the most recently completed quarter, published in the June *Quarterly Hogs and Pigs* report. The March-May litter rates show the negative impact of the disease on U.S. hog industry productivity. The incidence of PEDv deaths falls disproportionately on preweaned piglets, whose digestive systems are not sufficiently developed to withstand the severe dehydrating effects of the virus.

The second figure shows average dressed weights from January 2012 through May 2014. Lower corn prices from a larger crop coincided with increasing PEDv deaths. PEDv deaths created holes—and excess barn space—in the hog production chain, allowing producers to hold surviving animals longer on cheaper corn-based rations. Heavier animals continue to partially offset production losses from PEDv-related deaths.



May Exports Run Slightly Ahead of Last Year

U.S. pork exports in May were 430.8 million pounds, slightly above (0.06 percent) exports in May 2013. The largest foreign destinations for U.S. pork in May were the “usual suspects”: Japan (+2.9 percent growth), Mexico (+13 percent growth), and Canada (-5.7 percent fewer exports than last year), which together accounted for 65 percent of U.S. pork exports, compared with 62 percent a year ago.

Noteworthy in May were continued strong shipments to South Korea and a new startup of shipments to Russia. Exports to Korea increased almost 44 percent from a year ago, likely due to that country’s reduced domestic pork supplies from PEDv outbreaks. Shipments to Russia were almost 21 million pounds, compared with “zero” shipments in May 2013. Exports to Russia move under USDA\Agricultural Marketing Service’s Never Fed Beta Agonists Program, which is detailed at <http://www.ams.usda.gov/AMsv1.0/getfile?dDocName=STELPRDC5105492>.

U.S. pork exports in 2014 are expected to be 5 billion pounds, about 0.3 percent above last year. While year-over-year higher in the first half of 2014, shipments in the second-half are expected to be below a year earlier due to high U.S. prices from lower pork production.

U.S. pork exports to 10 largest foreign destinations, May 2014 and 2013¹

	Country	May 2014 Million lbs.	May 2013 Million lbs.	Percent change (2014 / 2013)	May 2014 Share of Exports %	May 2013 Share of Exports %
	World	431	431	0.06		
1	Japan	121	117	2.9	28	27
2	Mexico	114	101	13.0	27	23
3	Canada	47	50	-5.7	11	12
4	S. Korea	35	24	43.8	8	6
5	ChinaHong Kong	30	61	-50.3	7	14
6	Russia	21	0		5	0
7	Australia	14	11	30.2	3	2
8	Philippines	10.1	10.5	-3.2	2	2
9	Colombia	10	8	23.1	2	2
10	Dominican Republic	6	7	-19.7	1	2

¹Totals have been rounded to the nearest million pounds

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

Broiler Meat Production Down in May

In May, broiler meat production totaled 3.2 billion pounds, a decline of 2.1 percent from the previous year. While the number of birds slaughtered in May was 4 percent lower than in May 2013 (712 million) the primary cause of the decline was that May 2014 had one less slaughter day than May 2013. The decline in the number of birds slaughtered was partially offset by an increase in the average bird weights to 5.97 pounds, up 1.7 percent from a year earlier. This is very close to the gain over the first 5 months of 2014, when the average weight at slaughter was 5.99 pounds, 1.5 percent higher than the same period in 2013.

U.S. broiler meat production for the first 5 months of 2014 was 15.6 billion pounds, 1.6 percent above the same period in 2013. The increase in production so far in 2014 reflects very small decline in the number of birds being slaughtered, down 0.2 percent, but a cumulative increase in their average live weight to 5.99 pounds. Average live weights have been higher on a month-over-month basis so far in 2014, but the percentage increases have been only about half those of a year earlier.

With an expectation of lower grain prices and a decline in the volume of beef and pork available for consumption, broiler integrators were expected to expand production. However, the broiler meat production forecast for the second half of 2014 is 19.4 billion pounds, less than 1 percent higher than the previous year as the weekly number of chicks placed for growout continues to average slightly lower than the previous year. At the beginning of June the number of birds in the broiler breeder flock was estimated at 54 million, fractionally higher than a year earlier, but the average rate of lay was down by 1.6 percent from the same point in 2013. On a year-over-year basis the size of the broiler breeder flock has been higher than the previous year for the last 18 months.

Over the last 5 weeks (June 7 to July 5), the average number of chicks being placed weekly for growout was 168 million, down slightly (0.5 percent) from the same period in 2013. The 5-week moving average of the difference between weekly chick placements this year and in the same period in 2013 has been within a range of 1 percent higher/lower since the beginning of February. This situation is expected to change only slightly during the third quarter and into fourth-quarter of 2014.

With few or only small gains in broiler meat production expected over the second half of 2014, wholesale prices for most broiler products are expected to remain strong through the remainder of 2014. Prices for whole birds averaged \$1.14 cents per pound during second-quarter 2014, 5 percent higher than a year earlier. Prices also rose for a number of other broiler meat products, but many of these prices are still below year earlier levels. Prices for boneless/skinless breast meat in the Northeast market averaged \$1.99 per pound in June, 5 percent higher than the previous year, however, prices for breast meat with ribs averaged \$1.36 which was \$0.08 higher than the previous month, but still a decrease of 6 percent from June 2013. Prices for leg meat products have also risen during the year, but most are still lower than the previous year. Leg quarter prices in June averaged \$0.49 per pound, a decrease of 7 percent from a year earlier and prices for boneless skinless thighs (down 4 percent), wings (down 4 percent), and drumsticks (down 9 percent).

Broiler meat stocks at the end of May totaled 583 million pounds, down 13 percent from a year earlier. While overall stocks of broiler meat products were lower, the year-over-year difference in cold storage stocks varied widely for the different broiler products. Stocks of whole birds, leg quarters, and wings were all much lower, while stocks of most other products were higher. Stocks for whole birds had fallen to only 7.1 million pounds, a decrease of 49 percent from the previous year. Stocks of leg quarters were 115.5 million pounds, down almost 50 million pounds (30 percent) from May 2013: leg quarter stocks had been relatively steady at between 165 and 151 million pounds from May 2013 to February 2014. Starting in March, leg quarter stocks dropped to a lower level averaging only 108 million pounds over the last 3 months. Stocks of wings increased slightly from the previous month, but remained 25 percent below the previous year.

During the remainder of 2014, cold storage holdings of broiler products are expected to gradually decrease. While broiler meat production on a year-over-year basis is expected to be higher, it is expected to be offset by a strong export market and a gradually expanding domestic economy. Broiler stocks are expected to slowly decline until the end of the third quarter and then rise to 605 million pounds by the end of the year, but still 10 percent lower than the previous year.

Turkey Production Falls in May

Turkey meat production totaled 471 million pounds in May 2014, down 7.3 percent from a year earlier. On a year-over-year basis, turkey production has decreased for the last 10 months. The decrease in May turkey meat production was the result of a strong decline in the number of turkeys slaughtered, down 7.4 percent from a year earlier to 19.3 million birds. The decline was partly due to one less slaughter day in May 2014 compared with the previous year. However, the number of turkeys slaughtered has been lower than in the same period a year earlier in 14 of the last 17 months. The decrease is expected to continue for several months due to earlier declines in poults placed for growout. However, the number of poults placed for growout has increased in the last 3 months and rose strongly in May (up 9 percent) pointing toward an increase in production later in the year.

At the end of May, cold storage holdings of all turkey products totaled 424 million pounds, down 19 percent from a year earlier. The decrease has occurred in all turkey stocks categories. Stocks of whole birds totaled 237 million pounds, down 17 percent and overall cold storage holdings of turkey parts were down 21 percent to 187 million pounds. The year-over-year changes in cold storage holding of whole birds varied considerably by sex, with stocks of whole hens at 130 million pounds down only 2 percent from the previous year, but stocks of whole toms at 107 million pounds, 30 percent lower than the previous year. The decrease in turkey parts in cold storage has developed due to falling production relative to the previous year. Turkey exports over the first 5 months of 2014 are down 5 percent from a year earlier which would normally push stock levels higher. At the end of May cold storage holdings of turkey leg products totaled only 8 million pounds, over 40 percent lower than a year earlier. Stocks of breast meat and mechanically deboned meat (MDM) were also considerably lower, down 31 and 39 percent. Stocks of turkey products (whole birds and parts) are expected to follow the normal seasonal pattern of increasing through the third quarter and then declining sharply during the peak demand period in the fourth quarter. Stock levels are expected to remain below year-earlier levels during the second half of 2014, with ending stocks for 2014 forecast at 225 million pounds, 5 percent lower than the previous year.

Egg Production Expected Higher in Second Quarter

U.S. table egg production totaled 596 million dozen in May, up 3 percent from the same period the previous year. Higher table egg production in May was the result of an increase in the number of layers in the table egg flock and a small increase in the rate of lay. During May the number of hens in the table egg laying flock averaged 296 million, up 3 percent from a year earlier. This increase in the number of birds was combined with a slight increase (0.6 percent) in the rate of lay. With wholesale prices relatively strong, around \$1.26 per dozen in the New York market in early July, and feed prices expected to decline as the year progresses, egg production in the second half of the year is expected to continue to expand. Second-half 2014 table egg production is expected to total 3.6 billion dozen, 2 percent higher than the previous year chiefly due to a larger table egg flock. The relatively strong prices for table eggs and the increase of the laying flock in recent months were factors in an increased production estimate for second-quarter 2014, for the second half of 2014, and for 2015.

Wholesale prices for grade A large eggs in the New York market averaged \$1.35 per dozen in second-quarter 2014, up 23 percent from the previous year. At the end of June and carrying over into the beginning of July, table egg prices have been steady at around \$1.26 per dozen. Even with production increases, table egg prices are expected to average above the previous year in third- quarter 2014, boosted by strong prices for almost all meat products, but be slightly lower in fourth-quarter 2014 compared with the previous year.

U.S. Broiler Shipments Up in May

Broiler shipments in May 2014 increased 2.1 percent from a year earlier, totaling 636.5 million pounds. Top export partners in May included Mexico, Russia, Taiwan, Angola, and Cuba, with Mexico leading with 159.3 million pounds shipped. The second highest U.S. export market was Russia, with 62.4 million pounds shipped, followed by Taiwan with 38.2 million pounds. Angola and Cuba finished fourth and fifth, with exports totaling 34.0 and 28.9 million pounds, respectively. Destinations with significant quantity increases in U.S. broiler shipments in May 2014 included Taiwan and Russia, each with an increase of more than 27 million pounds of broiler shipments over May 2013. The increase for Taiwan was 28.5 million pounds, 293.7 percent over last year. For Russia it was 27.7 million pounds, a 79.7-percent increase over May of last year. There were significant drops in shipments to United Arab Emirates, Lithuania, and Georgia (to which exports were over 10 million pounds less than in May last year). United Arab Emirates declined the most, with 16.4 million pounds less in shipments than last year's May total, a drop of 84.4 percent. USDA forecasts 7.356 billion pounds of broiler exports for 2014, a 50-million pound increase from June's forecast. USDA forecasts 7.475 billion pounds of broiler exports for 2015.

Turkey Shipments Down in May

Turkey shipments totaled 60.3 million pounds in May 2014, a decrease of 3.2 percent from a year ago. The United States shipped 42.5 million pounds of turkey meat to Mexico in May 2014, an increase of 26.8 percent from a year earlier, amounting to over 70.5 percent of all shipments. Shipments to China had a large drop of 40.2 percent from last year, decreasing from 6.0 million pounds last year to 3.6 million pounds this May. Exports to Chile also had a large drop; May 2014 shipments to Chile were only 65 thousand pounds compared with May 2013 shipments of 1.5 million pounds, a 95.7-percent decline. The current forecast for U.S. 2014 exports is 718 million pounds. The forecast for 2015 is 750 million pounds.

Egg and Egg Product Shipments Declined in May

Egg and egg product shipments in May 2014 were down 17.5 percent from a year ago. On a shell egg basis, a total of 31.3 million dozen eggs were shipped. Mexico remains one of the largest destinations for U.S. egg and egg product exports despite a 54.1-percent decrease from May 2013, with 8.5 million dozen eggs shipped in May 2014. However, Mexico was exceeded in May by U.S. shipments to Canada of 10.3 million dozen eggs, an increase of 132.6 percent. The 2014 forecast for U.S. egg and egg product exports is 328 million dozen. The 2015 forecast is 320 million dozen.

Large Swings in Lamb and Mutton Prices

Second-quarter 2014 Choice slaughter lamb prices at San Angelo averaged \$148.99, declining nearly \$20 from the first-quarter levels. Relatively thin markets at San Angelo resulted in large swings in monthly prices, with spreads in excess of \$15 for each month in the second quarter. The June Choice slaughter lamb price at San Angelo was \$160.83 cents, up \$25.66 from May. May prices had declined more than \$15 from the April price levels. Prices are expected to stabilize for the rest of the year as lower demand is expected to become more in line with the tighter supplies of slaughter animals. Third-quarter 2014 prices are forecast to average \$142-\$148 per cwt, slightly below second-quarter levels.

Strength Apparent in Both Production and Imports

Second-quarter 2014 lamb and mutton production will likely be 42 million pounds, up 3 percent from the same period in 2013. Production for both April and May 2014 was quite strong at 15.2 million and 13.9 million pounds, respectively. Production is expected to decline slightly and fall below 2013 levels for the rest of 2014, as attempts at herd rebuilding are likely to reduce the number of animals available for slaughter.

First-quarter 2014 lamb and mutton imports totaled 46 million pounds, almost 7 percent below the first-quarter 2013 levels. Second-quarter lamb and mutton imports have strengthened; imports for both April and May came in well above the previous-year. In April they totaled 19.9 million pounds and in May 15.3 million pounds, 21 and 19 percent, respectively, above last year's levels. Second-quarter 2014 imports are expected to be around 48 million pounds, about 9 percent above second-quarter 2013. New Zealand and Australia are still the prime sources for U.S. lamb and mutton imports. The expected improvement in second-quarter production and estimated stronger imports do not appear to be reflected in stronger demand as lamb and mutton held in cold storage at the end of May were at their highest levels. Over 28 million pounds of Lamb and Mutton were being held in Cold Storage at the beginning of the second quarter.

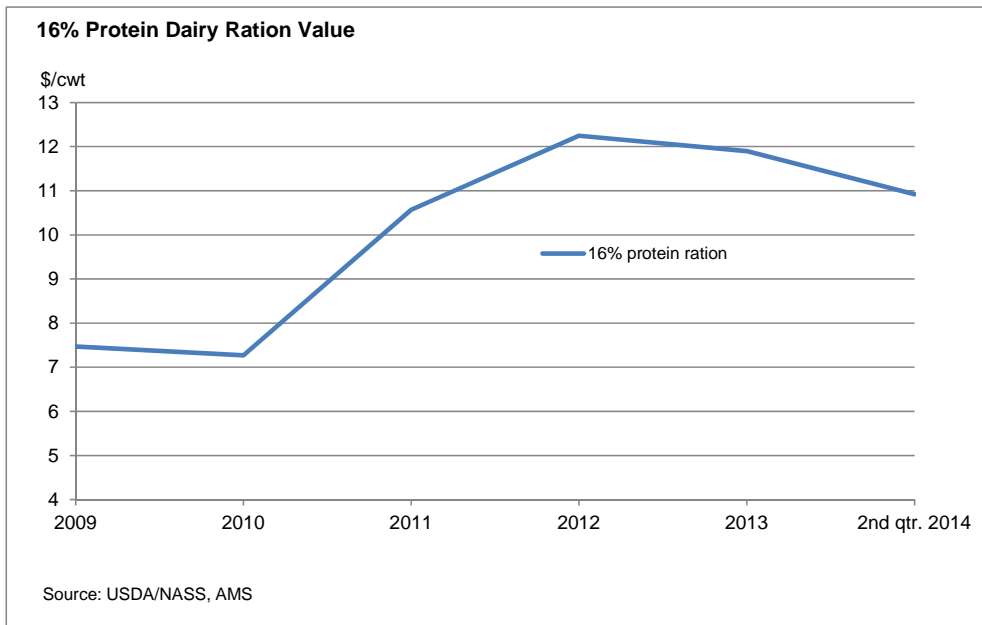
Lamb and mutton exports continue to remain relatively flat. First-quarter 2014 exports totaled less than 1.6 million pounds, almost one-third below the same period in 2013. Exports for April and May each totaled 0.6 million pounds, well below the same months in 2013. Exports for June are expected to show improvements as increased culling is likely to result in higher exports. Second-quarter 2014 exports are forecast at near 3 million pounds.

Strong Demand, Both Foreign and Domestic, Keeps Milk Prices High and Production Advancing as Feed Prices Moderate

Corn production for 2014/15 is lowered 75 million bushels from June in this month's *World Agricultural Supply and Demand Estimates* report. The reduction is based on lower projected harvested acreage in the June *Acreage* report. However, lower expected feed and residual use, down by 50 million bushels from June, and higher expected beginning stocks, 100 million bushels higher than last month, more than offset the lower production forecast, resulting in a lowered expected season average price of \$3.65-\$4.35 per bushel. Soybean meal prices were lowered this month from last month's forecast to \$350-\$390 a ton. Soybean production is forecast at a record 3.8 billion bushels based on year-over-year increased expected harvested acreage. While corn and soybean meal prices in 2014/15 are likely to be lower than this year's prices, forage prices are likely to remain firm.

The June *Agricultural Prices* report placed the preliminary June 2014 alfalfa hay price at \$222 a ton, virtually unchanged from May or from June 2013. The June *Acreage* report indicated the planting of all hay is down slightly from 2013. California remains drought stricken; however, the mid-West is expected to show improvement from last year.

On balance, the lower corn and soybean meal prices will continue to moderate feed prices through the balance of 2014 and into 2015. The feed price outlook, combined with continued strong milk prices, is expected to signal producers to increase cow numbers in 2015.



Dairy cow numbers are forecast to total 9,260 thousand head this year and to increase to 9,345 thousand head next year; both years' projections are increased fractionally from June. Milk per cow is lowered slightly from June to 22,230 pounds per cow in 2014 and increased from June to 22,730 pounds per cow next year. Next year, strong year-over-year rises in output per cow and modest herd expansion boosts milk production from June's forecast to 212.4 billion pounds. This year, milk production is lowered fractionally from the June forecast to 205.9 billion pounds, as lower output per cow offsets higher cow numbers.

According to the June Milk Production report in the 23 surveyed States, the strongest percentage increases in year-over-year milk production were posted in western States, with Texas, Colorado, and Arizona leading the rise. Small declines in milk production were observed in the Midwest, with Ohio showing the largest declines in 2014 from 2013. Wisconsin was unchanged from 2013.

Fats-basis milk equivalent imports are forecast to be 3.5 billion pounds in 2014 based on year-to-date movement and then to hold at 3.5 billion pounds in 2015. Imports are forecast at 5.2 billion pounds this year and 5.1 billion pounds next year on a skims-solids basis. Skims-solids forecasts are lowered from June. Current year fats-basis exports are lowered from June to 13.2 billion pounds as high domestic butter prices curtail exports. Fats-basis exports for 2015 are unchanged from June at 13.0 billion pounds. Skims-solids exports are raised in July to 40.4 billion pounds based mostly on higher than expected year-to-date shipments of nonfat dry milk and skim milk powder (NDM/SMP). Next year, skims-solids basis exports are projected at 39.1 billion pounds, an increase from June's forecast, but a year-over-year decline, based on increased foreign competition; however, global demand for NDM/SMP will remain strong. Internationally, exports are responding to high global demand. In the European Union, milk deliveries are at an all-time high, but robust foreign demand appears to support prices. Despite strong foreign competition, U.S. exports have remained firm, especially NDM and SMP exports to Mexico.

Firm domestic commercial use of dairy products is expected in light of continued economic recovery. Domestic commercial use, on a fats basis, is forecast at 195.6 billion pounds, unchanged from June. However, next year domestic commercial use on a fats basis is expected to climb to 200.6 billion pounds, an increase from June's forecast as well as a 2.6 percent year-over-year rise. On a skims-solids basis, domestic commercial use is forecast to reach 169.3 billion pounds, a dropoff from June's forecast, and then to rise to 177.2 billion pounds in 2015.

Dairy product prices are increased this month for 2014. Cheese prices are projected higher this month based on current price strength. The prices are forecast to average \$2.030 to \$2.060 per pound this year and fall to \$1.670- \$1.770 in 2015 based on continued increases in milk production. Butter prices are revised upward from June to \$1.965-\$2.025 per pound based on strength in demand and tight supply. That condition is expected to continue into 2015 as butter prices are revised upward this month to \$1.650-\$1.780 per pound; however, prices will decline on a year-over-year basis. July NDM price forecasts reflect the robust export outlook for those products and will likely average \$1.835-\$1.865 per pound in 2014 and decline to \$1.605-\$1.675 per pound in 2015. July whey prices are forecast up from June to 63.5-65.5 cents per pound for the current year and to fall to 55.0-58.0 cents per pound in 2015, unchanged from June.

The price outlook for the major dairy products points to declines in 2015 in class and all milk prices. The Class III price is forecast at \$21.00- \$21.30 per cwt this year, falling to \$16.95-\$17.95 per cwt in 2015. The Class IV prices continue to lead Class III prices both this year and next, averaging \$21.95-\$22.35 per cwt and sliding to \$18.70-\$19.80 per cwt in 2014 and 2015, respectively. The all milk price is forecast to average \$23.25-\$23.55 per cwt in 2014 and to fall to \$19.75-\$20.75 per cwt in 2015.

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Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, 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-products/livestock-meat-domestic-data.aspx>, 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/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>
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U.S. red meat and poultry forecasts

	2011					2012					2013					2014					2015		
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Production, million lb																							
Beef	6,410	6,559	6,736	6,490	26,195	6,282	6,473	6,586	6,572	25,913	6,175	6,513	6,609	6,423	25,720	5,868	6,160	6,330	6,150	24,538	5,795	6,240	24,375
Pork	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,244	23,253	5,775	5,516	5,622	6,274	23,187	5,785	5,505	5,490	5,980	22,760	5,750	5,440	23,240
Lamb and mutton	36	40	36	37	149	39	39	39	40	156	38	41	40	38	156	37	42	37	37	153	38	37	147
Broilers	9,290	9,509	9,542	8,861	37,202	9,089	9,381	9,372	9,198	37,039	9,144	9,466	9,683	9,537	37,830	9,283	9,575	9,750	9,625	38,233	9,450	9,900	39,315
Turkeys	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,459	1,486	1,440	1,420	5,805	1,332	1,435	1,450	1,500	5,717	1,400	1,475	5,925
Total red meat & poultry	23,011	23,114	23,395	23,226	92,746	22,865	23,084	23,274	23,739	92,963	22,743	23,183	23,563	23,844	93,333	22,455	22,906	23,222	23,448	92,031	22,583	23,257	93,647
Table eggs, mil. doz.	1,625	1,634	1,647	1,693	6,598	1,666	1,661	1,685	1,741	6,754	1,686	1,698	1,725	1,773	6,882	1,722	1,750	1,775	1,825	7,072	1,755	1,775	7,150
Per capita disappearance, retail lb 1/																							
Beef	14.1	14.5	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	13.7	14.5	14.3	13.9	56.4	13.1	14.0	13.8	13.3	54.2	13	13.8	53.6
Pork	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.5	11.3	11.4	12.7	46.8	11.3	11.1	11.2	12.1	45.7	10.9	10.9	45.9
Lamb and mutton	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.3	0.2	0.2	0.2	0.9	0.2	0.3	0.2	0.2	0.9	0.2	0.2	0.90
Broilers	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.0	20.3	21.0	20.5	81.9	20.2	20.7	20.9	20.8	82.6	20.3	21.3	84.3
Turkeys	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.8	16.0	3.4	3.5	4.0	4.9	15.8	3.3	3.5	15.9
Total red meat & poultry	51.2	51.3	51.0	51.0	204.6	49.3	50.3	50.7	52.0	202.3	49.5	50.2	51.3	52.4	203.5	48.7	49.9	50.4	51.8	200.8	48.1	50.2	202.2
Eggs, number	61.1	61.2	62.2	63.4	247.9	62.6	61.5	62.5	64.2	250.8	62.6	61.7	62.9	64.2	251.3	62.9	63.7	65.3	66.9	258.8	63.9	64.7	260.1
Market prices																							
Choice steers, 5-area Direct, \$/cwt	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125.52	124.95	122.30	130.77	125.89	146.34	147.82	145-151	145-155	146-150	147-159	146-158	145-157
Feeder steers, Ok City, \$/cwt	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	141.36	133.10	152.08	161.69	147.06	167.49	188.64	183-189	180-190	180-184	184-196	182-194	183-195
Cutter Cows, National L.E., \$/cwt	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	77.87	77.46	78.36	76.55	77.56	89.12	95.08	92-98	88-98	91-95	88-100	90-102	88-100
Choice slaughter lambs, San Angelo, \$/cwt	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	107.53	91.72	94.26	150.97	111.12	166.69	148.99	142-148	135-145	148-152	134-146	139-151	137-149
Barrows & gilts, N. base, Le. \$/cwt	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	59.03	65.46	70.59	61.11	64.05	68.69	85.4	86-90	76-82	79-81	75-81	78-84	75-81
Broilers, 12 City, cents/lb	80.20	83.00	78.20	78.00	79.90	87.40	85.1	82.0	92.1	86.6	103.5	108.6	93.90	92.80	99.70	98.4	113.7	106-110	103-111	106-108	101-109	103-111	100-108
Turkeys, Eastern, cents/lb	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	96.0	97.7	99.9	105.40	99.80	100.7	105.6	105-109	106-114	104-107	98-106	100-108	102-111
Eggs, New York, cents/doz.	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	126.9	109.9	119.0	143.00	124.70	142.7	134.6	123-127	134-144	133-137	130-140	115-125	122-132
U.S. trade, million lb																							
Beef & veal exports	633	702	766	683	2,785	558	625	650	620	2,453	557	631	716	679	2,583	583	640	660	635	2,518	550	625	2,425
Beef & veal imports	461	593	548	454	2,057	582	669	516	453	2,220	590	628	516	516	2,250	596	755	615	555	2,521	635	690	2,560
Lamb and mutton imports	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	48	37	40	171	47	42	166
Pork exports	1,248	1,201	1,260	1,481	5,190	1,442	1,301	1,251	1,386	5,381	1,218	1,226	1,205	1,343	4,992	1,345	1,250	1,135	1,275	5,005	1,255	1,250	5,085
Pork imports	201	195	194	213	803	207	191	198	205	802	207	210	229	233	879	212	235	240	240	927	230	230	890
Broiler exports	1,526	1,588	1,976	1,878	6,968	1,734	1,790	1,864	1,886	7,274	1,759	1,876	1,856	1,873	7,364	1,831	1,825	1,900	1,800	7,356	1,825	1,825	7,475
Turkey exports	159	171	173	199	702	181	185	216	217	798	178	182	197	201	758	163	180	185	190	718	180	185	750
Live swine imports (thousand head)	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,301	1,255	1,076	4,958	1,196	1,200	1,200	1,200	4,796	1,190	1,190	4,760

Note: Forecasts are in bold.

1/ 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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Updated 7/14/2014

Dairy Forecasts

	2013				2014					2015		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.) 1/	N/A	9,224	9,201	9,221	9,216	9,250	9,275	9,300	9,260	9,320	9,330	9,345
Milk per cow (pounds)	N/A	5,356	5,355	21,822	5,541	5,700	5,490	5,500	22,230	5,660	5,820	22,730
Milk production (bil. pounds)	52.0	49.4	49.3	201.2	51.1	52.7	50.9	51.2	205.9	52.8	54.3	212.4
Farm use	0.2	0.2	0.2	1.0	2.0	2.0	2.0	2.0	1.0	0.2	1.0	1.0
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.5	50.7	50.9	204.9	52.5	54.1	211.4
Milkfat (bil. pounds milk equiv.)												
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.5	50.7	50.9	204.9	52.5	54.1	211.4
Beginning commercial stocks	15.1	16.9	14.3	12.2	11.2	12.8	13.7	12.4	11.2	10.8	13.0	10.8
Imports	0.9	0.9	0.9	3.7	0.8	0.9	0.8	1.0	3.5	0.8	0.8	3.5
Total supply	67.8	66.9	64.2	216.2	62.8	66.1	65.2	64.3	219.6	64.1	67.9	225.7
Commercial exports	3.0	3.6	3.4	12.4	3.9	3.5	3.1	2.7	13.2	3.4	3.6	13.0
Ending commercial stocks	16.9	14.3	11.2	11.2	12.8	13.7	12.4	10.8	10.8	13.0	14.5	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	47.9	48.9	49.6	192.6	46.2	48.9	49.7	50.8	195.6	47.7	49.8	200.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.5	50.7	50.9	204.9	52.5	54.1	211.4
Beginning commercial stocks	13.6	14.2	12.4	12.4	11.7	12.7	13.0	12.3	11.6	12.0	12.4	12.0
Imports	1.2	1.1	1.5	5.3	1.4	1.3	1.2	1.3	5.2	1.3	1.2	5.1
Total supply	66.5	64.4	62.9	217.9	63.9	66.4	64.9	64.5	221.8	65.8	67.7	228.5
Commercial exports	10.6	10.4	9.3	38.6	9.8	10.8	10.2	9.6	40.4	9.5	10.2	39.1
Ending commercial stocks	14.2	12.4	11.7	11.7	12.7	13.0	12.3	12.0	12.0	12.4	12.8	12.2
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.8	41.7	41.9	167.7	41.4	42.6	42.4	42.9	169.3	43.9	44.7	177.2
Milk prices (dol./cwt) 2/												
All milk	19.57	19.60	21.50	20.05	24.53	24.27	22.80	21.40	23.25	20.60	18.95	19.75
							-23.20	-22.10	-23.55	-21.60	-19.95	-20.75
Class III	18.04	17.81	18.67	17.99	22.61	22.75	20.20	18.40	21.00	16.45	16.80	16.95
							-20.60	-19.10	-21.30	-17.45	-17.80	-17.95
Class IV	18.62	19.13	20.74	19.05	23.14	23.04	22.00	19.85	21.95	18.10	18.50	18.70
							-22.50	-20.65	-22.35	-19.20	-19.60	-19.80
Product prices (dol./pound) 3/												
Cheddar cheese	1.780	1.761	1.847	1.768	2.213	2.187	1.935	1.785	2.030	1.620	1.650	1.670
							-1.975	-1.855	-2.060	-1.720	-1.750	-1.770
Dry whey	0.575	0.579	0.576	0.590	0.630	0.677	0.645	0.595	0.635	0.545	0.555	0.550
							-0.665	-0.625	-0.655	-0.575	-0.585	-0.580
Butter	1.622	1.438	1.566	1.545	1.779	2.053	2.165	1.890	1.965	1.705	1.655	1.650
							-2.235	-1.990	-2.025	-1.835	-1.785	-1.780
Nonfat dry milk	1.619	1.769	1.893	1.707	2.067	1.920	1.735	1.620	1.835	1.515	1.585	1.605
							-1.775	-1.680	-1.865	-1.585	-1.655	-1.675

1/ Starting in May, contains no data updates or analysis on milk cows or milk output per cow.

2/ Simple averages of monthly prices. May not match reported annual averages.

3/ 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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