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Livestock, Dairy, and Poultry Outlook

Kenneth Mathews
kmathews@ers.usda.gov

Mildred Haley
mhaley@ers.usda.gov

Quarterly Hogs and Pigs Report Shows Reduced PEDv Effects

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Tables will be released on Jan. 28, 2015

The next newsletter release is Feb. 17, 2015

Approved by the World Agricultural Outlook Board.

Pork/Hogs: Information released in the December Quarterly Hogs and Pigs report shows that production effects of Porcine Epidemic Diarrhea have abated. Breeding inventory increases and strong producer farrowing intentions portend pork production increases and lower hog prices in 2015. Hog prices are expected to average \$60-\$65 per cwt this year, almost 18 percent below prices in 2014. Pork exports were sharply lower in November, due in part to the strong exchange rate value of the U.S. dollar.

Beef/Cattle: Recent precipitation improves pasture conditions and prospects for heavier feeder and fed cattle into 2015. Cattle feeders could again experience negative returns as high feeder cattle prices adversely impact cattle feeding profit margins, and beef packers' margins continue to reflect high fed cattle prices and retail pressure on wholesale cutout values.

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>)

Beef/Cattle Trade: U.S. cattle imports are expected to have been 2.325 million head in 2014 due to rising shipments from both Canada and Mexico. U.S. beef imports continue to grow, especially from Australia. The beef import estimate for 2014 was raised to 2.928 billion pounds, which would be the highest total since 2007. U.S. beef exports were steady throughout 2014 and are expected to have been 2.584 billion pounds, nearly even with 2013.

Poultry: Broiler meat production in November showed a small decrease over the previous year, totaling 2.9 billion pounds, 1.0 percent less than the previous year, but production indicators suggest continued growth in the coming year. Total turkey cold storage holdings were 190 million pounds at the end of November, a decrease of 14 percent from a year earlier. The decrease was from lower cold storage holdings of turkey products. Turkey production in fourth-quarter 2014 is estimated at 1.5 billion pounds, an increase of 5.6 percent from the same period in 2013. Table egg production increased notably in November to 605 million dozen, up 2.7 percent from the previous year as strong prices during most of the fall encouraged producers to expand production. Over the last 2 months of 2014, egg prices in most markets experienced a brief and very sharp peak in prices, with prices in the New York market growing and then declining by around \$1.00 per dozen.

Poultry Trade: Turkey shipments in November were up from a year ago, while broiler shipments and egg and egg product shipments were down compared with a year earlier. Broiler shipments totaled 569.2 million pounds in November 2014, a decrease of 9.3 percent from a year earlier. Turkey shipments increased 5.5 percent from a year ago, totaling 73.6 million pounds, while egg and egg product exports totaled 35.5 million dozen in November 2014, a 9.4-percent decrease from the previous November.

Dairy: The average all-milk price for 2014 was a record high of \$23.97 per hundredweight (cwt), a 19.6 percent increase over the 2013 price of \$20.05 per cwt. With recent declines in prices and changes in supply and use of dairy products, the all-milk price forecast for 2015 has been reduced to \$17.75-\$18.55 per cwt, a change from last month's forecast of \$18.45-\$19.25 per cwt.

Quarterly Hogs and Pigs Report Shows Reduced PEDv Effects

The data published in the quarterly Hogs and Pigs report, released by USDA on December 23, indicates that the production effects of Porcine Epidemic Diarrhea (PEDv) are abating and that the U.S. hog industry is likely expanding. Year-over-year increases of the December 1 market hog inventory and of the autumn litter rate suggest that aggressive actions by producers, including increased biosecurity measures and vaccination, has contributed to lowering the disease incidence and limiting losses of newborn pigs from PEDv.

The December 1 inventory of market hogs increased 2 percent from a year earlier, marking the first year-over-year increase in quarterly market hog numbers since March 2013.

The September–November 2014 litter rate—10.23 pigs per litter—was the first year-over-year increase since 2013.

The December report also provided information that points to industry expansion and to strong production increases in 2015. The report showed an increase in the inventory of breeding animals, a second year-over-year increase in as many quarters. After a 2 percent increase in the September breeding herd, the report indicated a 4-percent increase on December 1. Increases in breeding animal inventories can indicate that the industry is expanding capacity to increase hog production. The December report also showed a robust set of first-half 2015 farrowing intentions, another indication that production is likely to increase in 2015. Producers stated intentions to increase first-half 2015 farrowings by 4 percent.

All of these factors—larger inventories of market animals, recovering litter rates, an expanding breeding herd, and strong producer farrowing intentions—point to increased pork production in 2015 and lower hog prices. USDA expects that 2015 pork production will be 23.9 billion pounds, an increase of 4.6 percent over 2014. Expected 2015 pork production would be 2.8 percent higher than production in 2012, the most recent production year not affected by PEDv.

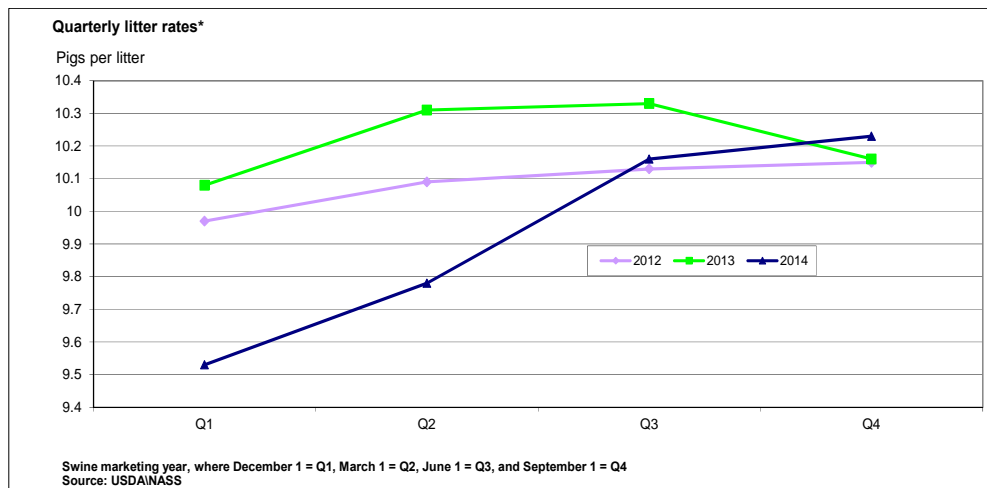
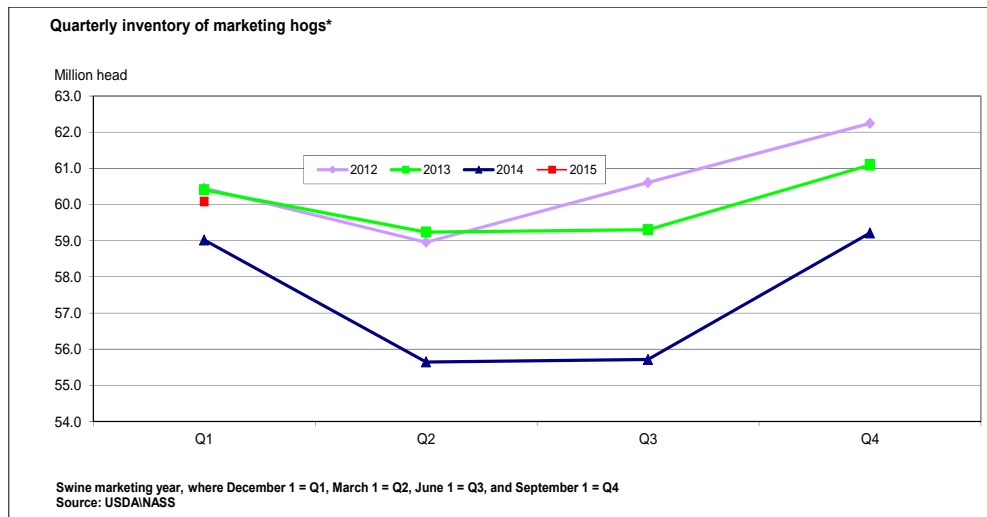
Hog prices are expected to decline in 2015 in response to larger available supplies of market hogs. First-quarter 2015 prices of 51-52 percent lean hogs are expected to average \$62-\$64 per cwt; in the second, quarter prices are expected to be \$64-\$68 per cwt; and in the third quarter, \$62-\$68 per cwt. For 2015, average hog prices are expected to be \$60-\$65.

Pork Exports Down Sharply in November

U.S. pork exports in November were 364 million pounds, a volume almost 20 percent lower than a year ago. Shipments to most major destinations were lower. It is possible that still-elevated pork prices made U.S. product less attractive to foreign buyers in November. It is also possible that foreign ‘overbuying’ of U.S. pork early in 2014 in anticipation of PEDv reduced availability later in 2014, reducing demand for U.S. pork in November. Another likely explanatory factor is the high-valued U.S. dollar. The figure below shows the extent of the 2014 U.S. broad dollar index premium to 2013 index values. A strong-valued U.S. dollar generally makes U.S.

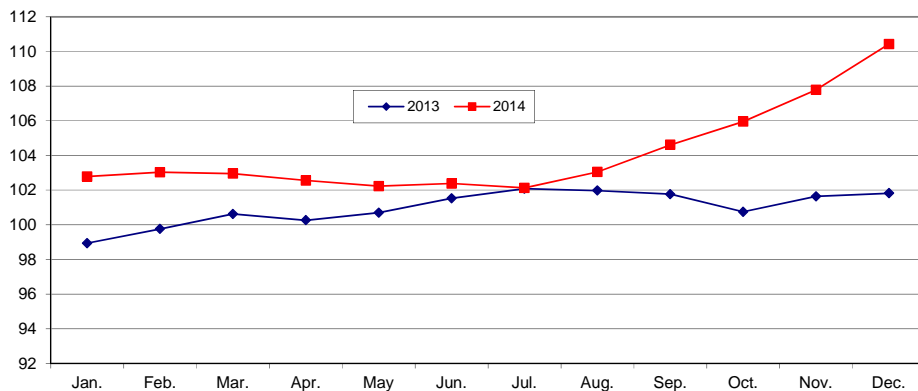
products more expensive—and thus less competitive—abroad. By the same token, a strong U.S. dollar exchange rate makes foreign products more competitive in the United States: U.S. imports of pork in November were about 10 percent above imports a year ago. Most of the increase in November imports was of Canadian and European origin.

The United States is expected to export 5.250 billion pounds of pork in 2015, 8.4 percent more than in 2014. U.S. pork imports are expected to be 910 million pounds, almost 10 percent below imports in 2014, when PEDv reduced supplies of domestically produced pork.



National broad dollar index

1997 = 100



Source: Board of Governors of the Federal Reserve. <http://www.federalreserve.gov/releases/h10/summary/default.htm>

Average Dressed Cattle Weights Continue To Climb

Drought continues in the Southern Plains and Southwestern United States, although its intensity has abated somewhat. The U.S. Drought Monitor, released December 30, 2014, showed an improved situation for cattle country compared with last month (<http://droughtmonitor.unl.edu/>). The Texas Panhandle and Southwest Oklahoma continued with significant areas in “D2 Severe Drought” or “D3 Extreme Drought” conditions. The West, most notably California, received precipitation in December, but it was not sufficient to end the drought. Despite continuing drought, the limited precipitation has allowed wheat pasture to remain in relatively good condition, providing some opportunity for weight gains in feeder cattle being pastured on Southern Plains wheat.

Placements in 1,000-plus-head feedlots during November dropped 4 percent below 2013. November placements were the lowest and marketings were the second lowest for the month since the series began in 1996. These heavier placement weights, combined with continuing relatively cheap corn and the potential for longer feeding periods, will likely result in heavier finished weights, preventing total beef production from declining as much in 2015 as reduced cattle inventories would imply.

Cattle feeders could again experience negative returns beginning in December 2014, with estimated breakeven prices in the \$165 per cwt range for December and likely to move higher over the next several months, due primarily to higher feeder cattle prices. Any significant retention of heifers for rebuilding the cow herd would offset increases in beef production due to heavier slaughter weights. However, cow-calf operators face significant incentives to sell heifers as feeder cattle sooner rather than selling potential calves a year or 2 down the road by retaining these heifers.

Commercial red meat production for the United States in November 2014 was down 9 percent compared with November 2013 (NASS, Livestock Slaughter, December 24, 2014). Further, Livestock Slaughter showed a 10-percent drop in commercial beef production through the month of November 2014 compared with this time last year. Average live weights of commercial cattle continue higher than last November, up by 24 pounds. Since September 2014, 5-Area Fed Steer (all grades) live weights have consistently exceeded 1,420 pounds (AMS, LM CT 150 Report, http://www.ams.usda.gov/mnreports/lm_ct150.txt). In addition, Livestock Slaughter reported that veal production continues to decline—down 29 percent compared with the same period in 2013. As with cattle, veal live weights are up 50 lbs. compared with November 2013.

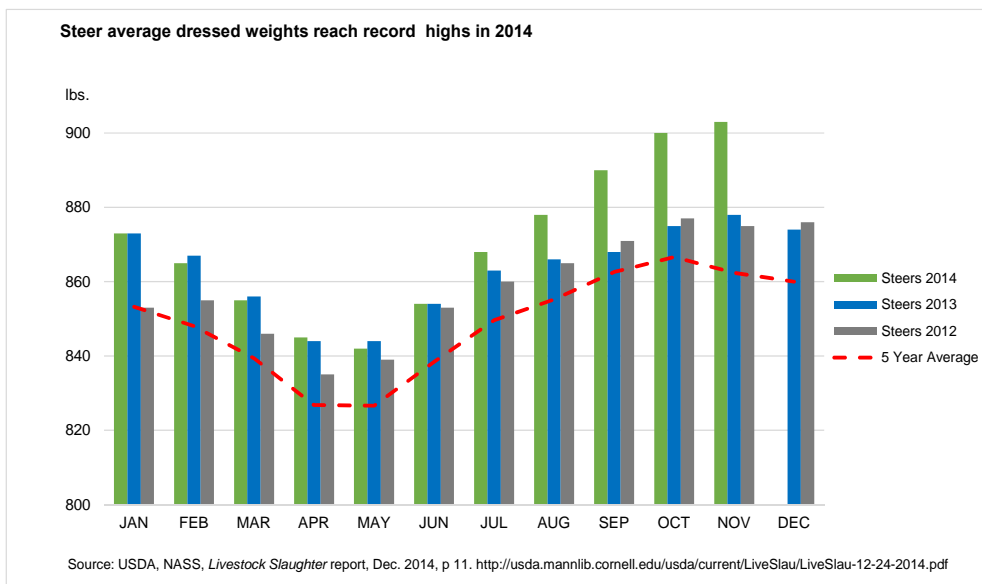
Overall, Livestock Slaughter reported that beef production was down 6 percent through the month of November 2014 compared with same period last year, and veal was down 15 percent. For the near term, packers remain sandwiched between relatively high fed cattle prices and near-record retail beef prices, but prices not quite high enough for positive gross margins.

Early 2015 Shows High Beef Retail Values

November 2014's All-fresh beef retail value was \$5.98 per lb., up nearly a dollar from this time last year. Retail Choice beef prices in November 2014 reached a new record of \$6.30 per lb., up about \$0.90 from last November. Estimated average monthly Choice retail beef prices for January 2014 through November 2014 were \$5.97 per pound, 13 percent above the same-period average of \$5.28 for 2013. Lower December cutout values and trim prices in December are unlikely to affect the annual average for 2014 very much.

Average annual retail beef prices in 2015 are expected to be slightly higher than they were in 2014. Recent drops in gas prices have given some indication of additional spending power at the grocery store. In 2014, there was a very tight cattle supply and relatively strong demand, allowing the market to reach record prices. In 2015, an abundance of pork and poultry may limit any beef price increases. The beginning of 2015 is expected to follow a similar market trend to that of 2014—an expectation of a tight cattle inventory and the continuation of record-high prices.

Class	Nov. 2013 weight (lbs.)	Nov. 2014 weight (lbs.)	Monthly average percent change (Nov. 2013 and Nov. 2014)
Cattle	805	828	2.90%
Steers	878	903	2.90%
Heifers	807	827	2.50%
All cows	620	630	1.60%
Bulls	870	894	2.80%



U.S. Cattle Imports Likely 14 percent Higher in 2014

U.S. cattle imports totaled 2.1 million head through November 2014, up 18 percent from the same period in 2013. Imports were up from both Canada and Mexico as strong U.S. cattle prices, especially for feeder cattle, continue to draw in supplies from both countries. Imports were up by the greatest volume from Canada due to rising imports of feeder cattle. Feeder cattle shipments were up 46 percent through November. Imports of Canadian slaughter cattle were up 9 percent from a year earlier but still account for a larger proportion of imports than feeders. The forecast for U.S. cattle imports in 2015 is 2.300 million head, unchanged from last month. Although imports are expected to decline slightly this year, similar market conditions faced in 2014 are expected to persist. Demand for cattle is expected to remain strong as herd recovery continues, while diminished inventories in both Canada and Mexico are expected to limit growth in imports.

U.S. Beef Imports Grow, Exports Stable

U.S. beef imports totaled 258 million pounds during November 2014, 55 percent higher than the same month in 2013. Fourth quarter imports are expected to have been 800 million pounds which would bring annual imports to 2.928 billion pounds. This implies a 30-percent increase in beef shipments in 2014, as demand for imported beef has grown amid lower U.S. beef production. U.S. federally inspected cow and bull slaughter likely finished 13 percent lower in 2014 than the previous year. While higher import demand was expected as a result, imports have been especially high due to rising shipments from Australia. Australian cattle slaughter was 11 percent higher through October, leading to far higher beef supplies. Australian beef exports have risen 16 percent through November, with the bulk of the increase going to the United States. While most of the rise in U.S. imports through November has come from Australia (+396 million lbs.), imports were up from nearly all origins, including Canada (+55 million lbs.), New Zealand (+50 million lbs.), Mexico (+47 million lbs.) and Nicaragua (+36 million lbs.). The forecast for U.S. beef imports in 2015 is 2.770 billion pounds, 5 percent lower than 2014. Import demand is expected to remain robust through 2015 due to lower expected supplies of U.S. beef. However, competition for beef is expected to be strong and supplies lower as Australian slaughter is not expected to maintain its current elevated levels.

U.S. beef exports totaled 2.361 billion pounds through November 2014, nearly equivalent to the same period in 2013. Despite lower U.S. beef production and considerable growth in prices of U.S. beef, demand remains strong in several key markets. Year-to-date exports were up to South Korea (+23 percent), Hong Kong (+16 percent), and Mexico (+11 percent). Japan remained the top destination for U.S. beef despite a 1-percent decline in volume through November. Not all markets have grown, as exports were considerably weaker to Canada (-22 percent). Higher U.S. prices coupled with a weaker Canadian dollar have taken a toll on Canadian demand for U.S. beef. Total U.S. beef exports are expected to have been 2.584 billion pounds in 2014, fractionally lower than 2013. The forecast for U.S. beef exports in 2015 is 2.525 billion pounds, 2 percent lower. Despite robust demand in Asian markets, a stronger U.S. dollar and elevated prices are expected to weaken overall demand for U.S. beef.

Broiler Meat Production in November Down 1 Percent

Broiler meat production in November showed a small decrease over the previous year, totaling 2.9 billion pounds, 1.0 percent less than the previous year (though it should be noted there was one less slaughter day in November 2014 than in the previous November). This decrease pushed the year-to-date total for the first 11 months of 2014 to 35.2 billion pounds, 1.3 percent higher than during the same period in 2013. The broiler meat production estimate for fourth-quarter 2014 was raised to 9.85 billion pounds, as the number of chicks being placed for growout has been strong but steady during the last 2 months. This is 3.3 percent higher than in fourth-quarter 2013 and would place the total for 2014 at 38.6 billion pounds, an increase of 2.7 percent from a year earlier.

Selected production indicators are provided in the table below, which reveals that annual growth in production has been dependent on increased bird weights rather than on numbers slaughtered. That said, the increasing number of eggs set and chicks placed for growout indicate higher numbers of birds slaughtered in the coming months. The forecast of considerably lower feed prices and favorable economic conditions for the remainder of 2014 and into 2015 are expected to give broiler integrators incentive to continue expanding production.

Average prices for many broiler products, while declining in recent months, were still higher during December 2014 than the previous year. The national composite weighted average, which is a whole-bird price, was 3.7 percent higher in November compared with 2013, averaging \$0.98 per pound compared with just under \$0.95 in November 2013. The breakout of prices for key broiler parts was also higher compared with the same time last year. Boneless/skinless breast meat remains higher (5.3 percent) than last year, but prices have fallen more sharply than is seasonally typical in the last 3 months, dropping 29.1 percent (to \$1.33/lb.) between September and December 2014. Leg quarters, a key export product, were 8.8 percent higher in December than a year earlier, but the 2014 annual average price for leg quarters ended up 6.2 percent below the average for 2013. With higher year-over-year production expected in fourth-quarter 2014 and into 2015, broiler prices are expected to continue under some downward pressure, but they are expected to benefit somewhat from strong beef prices.

Selected broiler market indicators

Production	November 2013	November 2014	% Change
Monthly Chicks placed for growout	713,191	732,958	2.8%
Number of birds slaughtered	655,869	644,439	-1.7%
Average live-weight (lbs)	6.01	6.07	1.0%
Stocks at end of month	709,014	664,270	-6.3%
Prices	December 2013	December 2014	% Change
National Composite Weighted Average, wholesale price (US\$/lb)	\$0.95	\$0.98	3.7%
Boneless/skinless breast meat (Northeast price, US\$/lb)	\$1.26	\$1.33	5.3%
Leg quarters (Northeast price, US\$/lb)	\$0.42	\$0.46	8.8%

Source: National Agricultural Statistical Service and Agricultural Marketing Service.

Turkey Production Shows Little Change in November

Turkey meat production in November totaled 479 million pounds, virtually unchanged from the previous year. However, the lack of growth in turkey meat production in November 2014 is chiefly due to there being 1 less slaughter day this November than in November 2013. Over the first 11 months of 2014, turkey production totaled 5.3 billion, 1.9 percent lower than during the same period in 2013. Turkey production in fourth-quarter 2014 is estimated at 1.5 billion pounds, an increase of 5.6 percent from the same period in 2013. With continuing higher turkey hatchery numbers, turkey meat production in 2015 is forecast to increase. The total forecast for 2015 is 5.9 billion pounds, 3.2 percent above the anticipated total for 2014 of 5.7 billion pounds.

In November, the number of turkeys slaughtered was 20.8 million, down fractionally (0.5 percent) from the previous year. However, the average live weight rose to 28.7 pounds per bird, a fractional gain of 0.3 percent from November 2013. On a year-to-date basis over the first 11 months of 2014, the number of turkeys slaughtered was 217 million, or just over 2 percent below the same period in 2013. The average weight through November was higher at 30.3 pounds, fractionally above than during the same period a year earlier.

Turkey Stocks Fall to 190 Million Pounds

Total turkey cold storage holdings were 190 million pounds at the end of November, a decrease of 14 percent from a year earlier. The decrease was from lower cold storage holdings of turkey products. Whole bird cold storage holdings totaled only 68 million pounds, down seasonally from 225 million at the end of October, but this was 9 percent higher than a year earlier. As in earlier months, there was a large difference in the cold storage holdings for whole toms and whole hens. Continuing the pattern of the last several months, stocks of whole toms totaled 40 million pounds, down 12 percent from a year earlier, while stocks of whole hens totaled only 28 million pounds, but this was 69 percent higher than at the end of November 2013. Stocks of turkey products fell to 122 million pounds at the end of November, 23 percent lower than the previous year. Stocks of turkey products decreased in all categories, but the largest decrease was for breast meat, which declined to 28 million pounds, 39 percent lower than a year earlier. The lower stocks at the end of November are expected to be mostly offset by higher meat production in December, with overall cold storage levels for the end of 2014 expected to have been 200 million pounds, down 16 percent from a year earlier.

Turkey Prices Higher

Wholesale frozen whole hen prices averaged \$1.07 per pound in December, 3 percent higher than the previous year. With the small increase in December, prices for fourth-quarter 2014 averaged \$1.14 per pound, up just over 8 percent from fourth-quarter 2013. Prices for whole hens peaked in November at \$1.19. With lower turkey production in the first half of 2014, prices for frozen whole hens had increased every month over the first 11 months of the year.

Prices for boneless/skinless breast meat were \$3.95 per pound in November (the last data available), 96 percent higher than the previous year. Since April, prices for

boneless/skinless breast meat have been at least 92 percent higher each month than in the same month a year earlier. Prices for most other turkey parts were higher in November than the previous year, with the exception of mechanically separated (MDM) turkey meat. Prices for MDM peaked in June at \$0.50 per pound but then fell sharply, down to only \$0.23 per pound by November. This decline may be linked to the growing strength of the dollar versus the Mexican peso as exports to Mexico are a major market for MDM products.

Egg Production Higher

Table egg production increased notably in November to 605 million dozen, up 2.7 percent from the previous year as producers continue to expand production. The increase in production was a combination of a higher number of hens in the table egg flock (up 1.4 percent) and a higher average rate of lay (up 1.3 percent to 23.9 eggs per month). With continued strong prices, producers are expected to expand output. Table egg production is forecast higher throughout 2015, to a total of 7.3 billion dozen, 2.2 percent higher than in 2014.

While table egg production has been expanding, production of hatching eggs over the first 11 months of 2014 was only fractionally higher than the previous year. Production of broiler-type eggs for hatching totaled 88 million dozen in November, up 2.3 percent from a year earlier as broiler production expanded, but through November production of broiler-type eggs was up by less than 1 percent. With broiler production forecast to expand in 2015, production of hatching eggs is also estimated to increase and to reach 1.1 billion dozen, almost 4 percent up from the 2014 total.

Eggs Prices Fell Toward the End of December

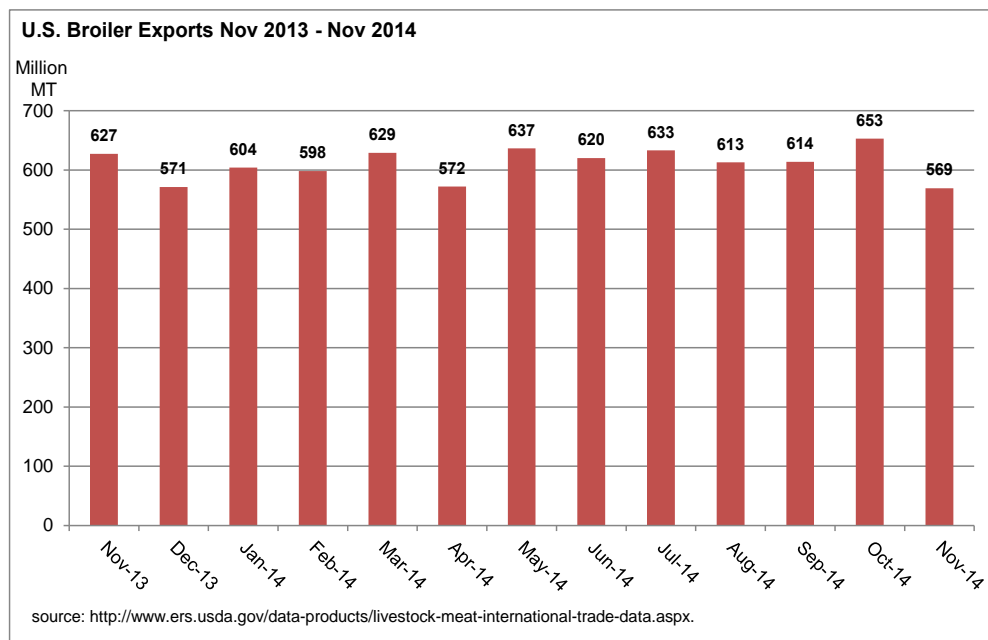
Over the last 2 months of 2014, egg prices in most markets experienced a brief and very sharp peak in prices. Wholesale prices for Grade A large eggs in the New York market averaged \$1.28 per dozen in the last week of October. Prices then spiked sharply, rising to \$2.19 per dozen by the end of November and the first week of December, but by the first week of January prices had fallen to \$1.16 per dozen. Prices for eggs are traditionally strong in the fourth quarter, but the spike in prices in 2014 was exceptional, considering that table egg production rose strongly in November 2014. For fourth-quarter, wholesale prices in the New York market averaged \$1.63 per dozen, 20 cents higher than in fourth-quarter 2013. The very high prices in fourth-quarter 2014 are likely the result of both strong exports of table eggs to Mexico in November and uncertainties about the future of the table egg market in California due to new cage-size regulations that went into effect on January 1, 2015.

The new cage-size regulations now in effect in California impact not only California producers, but table egg producers in other States that supply the California market. In the short term, the new regulations seem to have widened the historical difference between the California market and other parts of the United States. Table eggs prices in California have traditionally been higher than in many other areas since California is a deficit egg-producing area and imports large numbers of table eggs from other States.

At the end of October 2014, the difference between the wholesale prices of Grade A large eggs in the Southern California market and the New York City market was around 12 cents per dozen. Prices in Southern California rose to \$2.68 per dozen by the middle of December. Like the other markets, egg prices then began to decline. But by the beginning of 2015, California egg prices had only fallen to around \$2.28 per dozen, making a price difference between the Southern California market and the New York City market of over \$1.00 per dozen.

Poultry Trade

U.S. Broiler Shipments Down in November



Broiler shipments in November 2014 decreased 9.3 percent from a year earlier, totaling 569.2 million pounds. Top export partners in November included Mexico, Angola, Canada, China, and Georgia, with Mexico leading with 112.1 million pounds shipped in November. The second highest U.S. export market was Angola, with 66.6 million pounds shipped, followed by Canada with 34.6 million pounds. China and Georgia finished fourth and fifth, with exports totaling 24.4 and 18.9 million pounds, respectively. Significant quantity increases in U.S. broiler shipments in November 2014 were seen for Angola, with a year-over year increase of 29.1 million pounds.

In August, the Russian Government announced a 1-year ban on agricultural product imports from several countries, including the United States. While it is less of a destination than in prior years, Russia had been a large market for U.S. broiler exports in 2014. On a year-to-date basis through June 2014, 7.5 percent of U.S. broiler shipments had been sent to Russia. The November drop in exports to Russia (from 52.6 million pounds in November 2013) was countered by continuing strength in a number of Asian, Former Soviet Union, Middle Eastern, and Sub-Saharan African markets.

It has been anticipated that a share of the product that would have gone to Russia will continue to be partly absorbed by other markets, especially if the additional supply leads to downward pressure on leg quarter prices, but the scale of the absorption thus far has been greater than expected. Over the period of the ban, aggregate trade has only declined by 88.3 million pounds (3.5 percent) compared with the same period last year. Of the 200.4 million fewer pounds of broiler meat shipped to Russia than in August through November of 2013, 71.0 percent was offset by gains in other markets. USDA forecasts 7.319 billion pounds of broiler exports for 2014 and 7.360 billion pounds of broiler exports for 2015, a drop of 40

million pounds since December’s forecast. The drop is due to announcements by South Korea and China that they have temporarily banned U.S. poultry imports due to a reported Avian Influenza outbreak in the northwestern United States. About 5.5 percent of 2014 U.S. broiler meat exports through November were shipped to China and Korea, and it is likely that much of the product normally bound for those markets will be sold in other markets.

Turkey Export Rise as Shipments to Mexico Expand

U.S. turkey exports totaled 73.6 million pounds in November, 5.5 percent higher than in the previous year. Exports have been robust despite wholesale turkey prices in the United States that have been strong throughout most of the year. In addition, the value of the U.S. dollar has been rising against many other currencies. Higher shipments to Mexico accounted for a large percentage of the increase in November, totaling 42 million pounds, 57 percent of all turkey product exports. The strength in exports tended to be in higher shipments to countries such as Canada, Panama, and Guatemala, offsetting lower shipments to Benin, Angola, and Taiwan.

Total turkey exports for fourth-quarter 2014 are expected to have been 225 million pounds, 12 percent higher than the previous year. Exports are also expected to continue to expand in 2015, totaling 820 million pounds, a gain of almost 3 percent from 2014 and almost 14 percent of total domestic production.

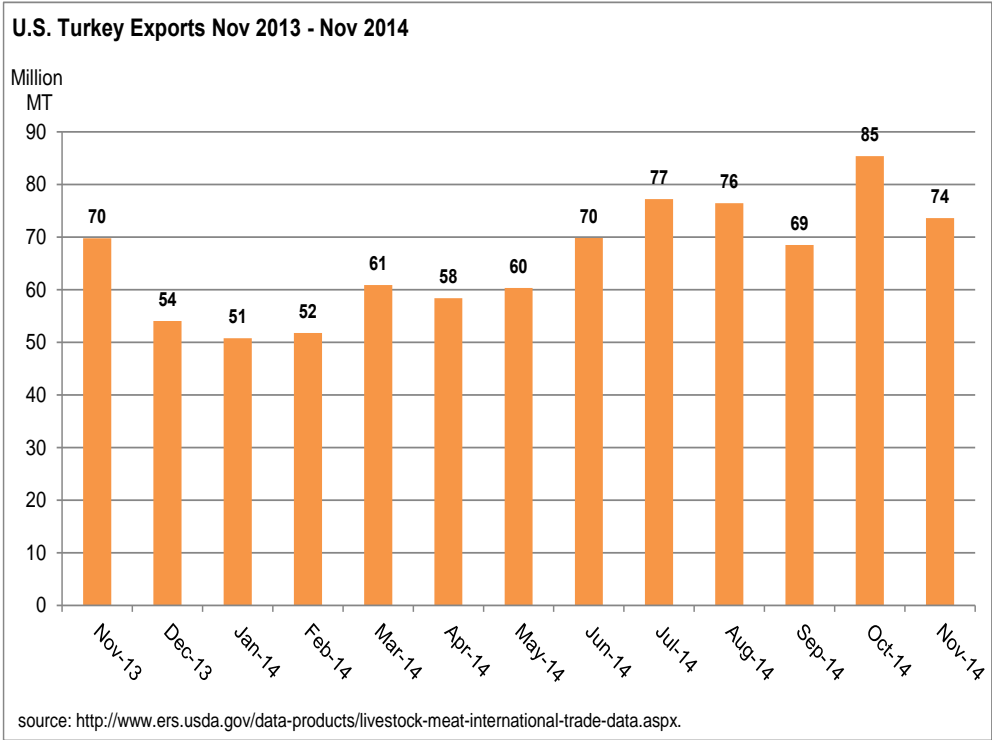
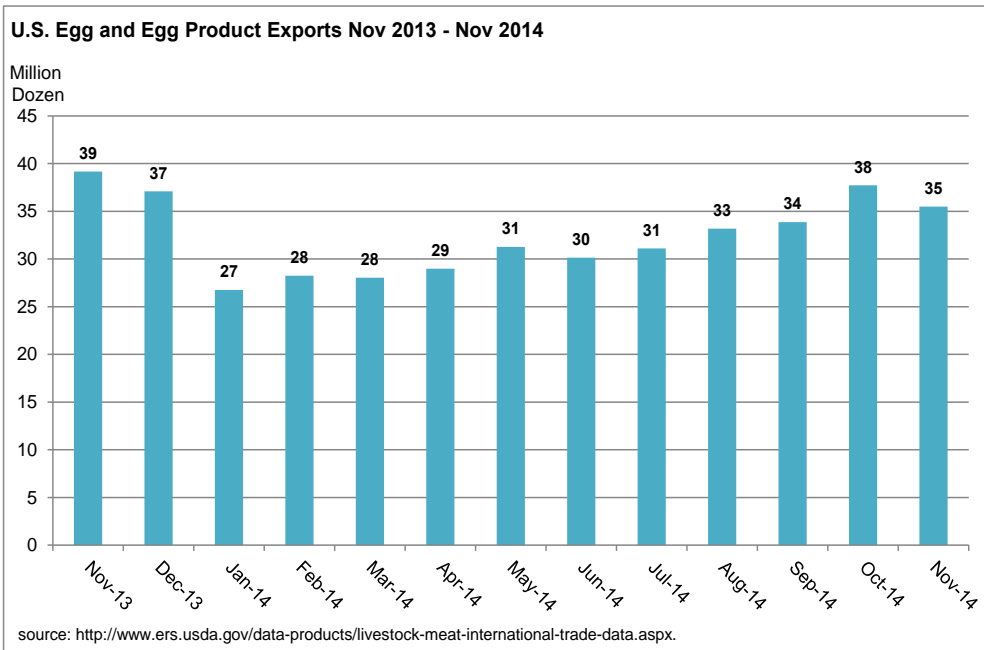


Table Egg Shipments Higher, but Overall Egg Exports Fall

The shell egg equivalent of total U.S. egg exports was 35.5 million dozen in November 2014, down 9 percent from the previous year. The majority of the decline was the result of lower shipments of egg products to Japan. Total egg exports to Japan in November were 2.2 million dozen, down from over 9 million dozen in November 2013. The decline was almost entirely due to lower shipments of egg products, as Japan is not a major destination for table egg exports.

The decline in shipments of egg products was partially offset by a strong increase in shipments of table eggs. In November table egg shipments totaled 24 million dozen, up 5.5 million dozen or 29 percent. Almost all the increase was accounted for by higher shipments to Canada and Mexico. Together, these countries accounted for 72 percent of all table egg exports.

Even with the decline in November, the export estimate for fourth-quarter 2014 was increased by 10 million dozen, up slightly from 2013. This increases the overall forecast for 2014 to 382 million dozen, 2.6 percent higher than in 2013. The increase in exports in 2014 is expected to have come chiefly from higher shipments to Canada and Mexico, offsetting a decline in exports to Japan.



Recap of the 2014 Dairy Price Situation

Average prices for major dairy products reached record highs in 2014. Cheddar cheese prices averaged \$2.16 per pound for the year, and quarterly prices were above \$2.00 for the entire year. Butter prices averaged \$2.14 per pound for the year, reaching a quarterly peak of \$2.57 in the third quarter. Nonfat dry milk (NDM) prices averaged \$1.77 per pound for the year, with prices declining from a first-quarter high of \$2.07. Dry whey prices averaged 65 cents per pound, with quarterly highs of 68 cents in the second and third quarters.

High dairy product prices translated into high milk prices for dairy farmers. The average all-milk price for 2014 was a record high of \$23.97 per hundredweight (cwt), 19.6 percent higher than the 2013 price of \$20.05 per cwt. Robust commercial exports during 2014 played a major role in elevating dairy prices. Commercial exports for 2014 are estimated at 6.0 percent of milk production on a milk-fat milk-equivalent basis and 19.0 percent of milk production on a skim-solids milk-equivalent basis.

Recent Developments in Dairy Markets

Based on recent data, ending stocks for 2014 are expected to have been to 11.3 billion pounds on a milk-fat basis (0.2 billion pounds more than projected last month) and 13.1 billion pounds on a skim-solids basis (1.2 billion pounds more than projected last month). From October to November 2014, total natural cheese stocks rose from 996 million pounds to 1,016 million pounds, a very rare increase for November. Manufacturers' NDM stocks also rose substantially, from 196 million pounds at the end of October to 217 million pounds at the end of November.¹ Butter stocks fell from 139 million pounds to 101 million pounds. In November, whole milk powder ending stocks, at about 22 million pounds, were slightly higher than in October but were 2.5 times higher than in the previous year.

Based upon recent data, the milk-cow number estimate for the fourth quarter of 2014 is 9.280 million head, and output per cow has been lowered to 5,490 pounds. Milk production for the fourth quarter of 2014 is estimated at 50.9 billion pounds, a reduction from last month's projection of 51.2 billion pounds. Estimates for fourth-quarter 2014 domestic commercial disappearance have been lowered by 0.3 billion pounds on a milk-fat basis and by 2.1 billion pounds on a skim-solids basis. Export projections for the fourth quarter of 2014 have been raised by 0.3 billion pounds on a skim-solids basis, based upon expected strength in exports of nonfat dry milk to Mexico. Export forecasts are unchanged on a milk-fat basis. Import projections for the fourth quarter of 2014 have been increased by 0.1 billion pounds on a milk-fat basis and decreased by 0.2 billion pounds on a skim-solids basis.

¹ Since 1917, the first year for which cold storage data is available, November ending stocks for cheese have exceeded October ending stocks only once before, in 1941. When Thanksgiving falls in the last week of November, as it did in 2014, cheese sales are often relatively light in the last week of November and heavier in the first week of December. This likely contributed to relatively high November ending stocks.

Wholesale dairy product prices for cheese, butter, and NDM fell each week from the first week of December to the first week of January. Dry whey was the exception, with relatively steady prices throughout the period.

Forecasts for 2015

With higher beginning stock levels expected for 2015 and recent price declines, price forecasts have been lowered for 2015. Wholesale cheese and butter price forecasts have been lowered for the first three quarters, resulting in annual projections of \$1.590-\$1.670 per pound and \$1.600-\$1.710 per pound, respectively. NDM price forecasts have been lowered for the entire year, resulting in an annual projection of \$1.270-\$1.330 per pound. Dry whey price forecasts have been lowered slightly for the first half of the year, resulting in an annual projection of 55.0-58.0 cents per pound. The forecast for the annual Class III price has been lowered to \$16.20-\$17.00 per pound, and the Class IV price forecast has been lowered to \$15.60-16.50 per pound. The projected all-milk price has been lowered to \$17.75-\$18.55 per cwt, a reduction from \$18.45-\$19.25 per cwt forecast last month.

The 2014/15 marketing year price forecast for corn is \$3.35-\$3.95 per bushel, raised from last month's forecast of \$3.20-\$3.80 per bushel. The price forecast for soybean meal is unchanged at \$340-\$380 per short ton. With 2015 milk price forecasts lowered relative to feed prices, cow numbers and milk per cow are still expected to increase over 2014 levels but at a lesser rate than forecast last month. Milk production for 2015 is forecast at 211.7 billion pounds, a reduction from the 212.2 billion pounds that were forecast last month.

The 2015 forecast for domestic commercial disappearance on a milk-fat basis has been lowered to 202.9 billion pounds, 0.1 billion pounds less than forecast last month. On a skim-solids basis, commercial disappearance is forecast at 178.8 billion pounds, 0.2 billion pounds more than last month's forecast.

With lower projected domestic dairy prices, U.S. exports, primarily of NDM and whey products, are expected to become somewhat more attractive. Commercial export projections for 2015 have been raised by 0.1 billion pounds on a milk-fat basis and by 0.2 billion pounds on a skim-solids basis. Import projections for 2015 are unchanged on a milk-fat basis and have been raised slightly on a skim solids basis.

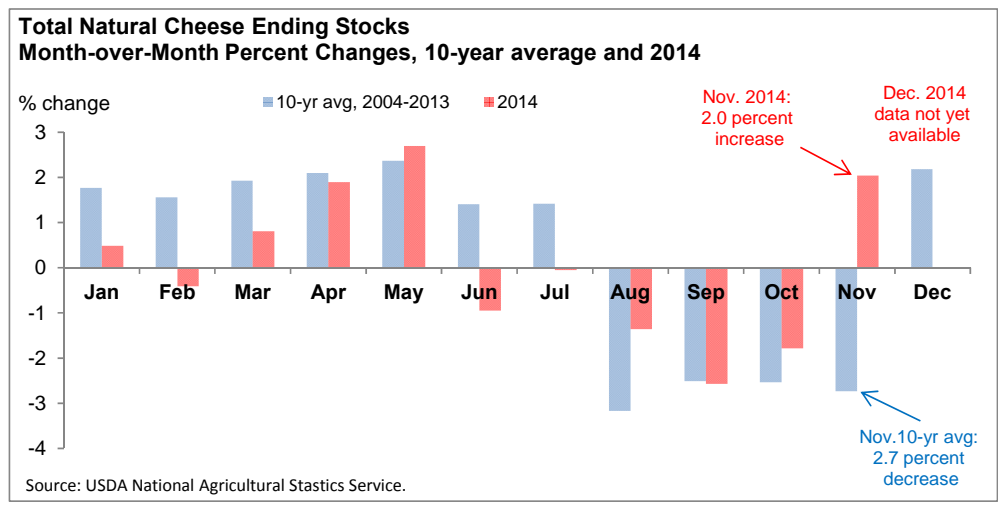
World Dairy Situation

The USDA Foreign Agricultural Service estimates 2014 growth in milk production for the five largest dairy exporters combined (Argentina, Australia, EU, New Zealand, and the United States) at about 4 percent. International dairy prices have fallen through the year due to the increase in world milk production, Russia's ban on imports from certain countries (particularly the EU), and a drop in whole-milk powder demand from China. In 2015, exports for the five largest dairy exporters combined are forecast to grow about 1 percent (Argentina, 3 percent; Australia, 1 percent; EU, 0 percent; New Zealand, 2 percent; and the United States, 3 percent). Projections for 2015 assume that the Russian export ban will be lifted as scheduled in August and that China's economic growth will slow from an estimated rate of 7.4

percent in 2014 to 6.5 percent in 2015. For more details, see <http://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>.

USDA National Agricultural Statistics Service To Discontinue Preliminary Prices for All Milk

Beginning this month, USDA National Agricultural Statistics Service (NASS) will no longer publish preliminary all-milk prices. NASS has had concerns about reliability of the preliminary price estimates. The Agricultural Prices report to be published on January 30, 2015, will show the December all-milk price as the most recent price estimate. For details, see http://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Prices/update2015.pdf.



Weekly wholesale prices for selected major dairy products (\$/pound)

Week ending	Butter	Cheddar cheese		Nonfat dry milk	Dry whey
		40-pound blocks	500-pound barrels (38% moisture)		
Dec. 6, 2014	1.981	1.887	1.830	1.304	0.585
Dec. 13	1.956	1.774	1.704	1.255	0.585
Dec. 20	1.897	1.683	1.590	1.250	0.594
Dec. 27	1.658	1.634	1.589	1.170	0.587
Jan. 3, 2015	1.617	1.612	1.567	1.146	0.594
Change from Dec. 6 to Jan. 3	-0.365	-0.275	-0.263	-0.159	0.008
Percent change	-18.4	-14.6	-14.3	-12.2	1.4

Source: USDA Agricultural Marketing Service, National Dairy Products Sales Report.

Contact Information

Ken Mathews (coordinator, cattle/beef and veal)	(202) 694-5183	kmathews@ers.usda.gov
Sahar Angadjivand (cattle/beef and veal)	(202) 694-5187	sangadjivand@ers.usda.gov
Alex Melton (cattle/beef trade)	(202) 694-5409	awmelton@ers.usda.gov
Alex Melton (poultry trade)	(202) 694-5409	awmelton@ers.usda.gov
Mildred M. Haley (hogs/pork)	(202) 694-5176	mhaley@ers.usda.gov
David J. Harvey (poultry, eggs)	(202) 694-5177	djharvey@ers.usda.gov
David J. Harvey (aquaculture)	(202) 694-5177	djharvey@ers.usda.gov
Roger Hoskin (dairy)	(202) 694-5148	rhoskin@ers.usda.gov
Jerry Cessna (dairy)	(202) 694-5171	jgcessna@ers.usda.gov
Keithly Jones (sheep and goats)	(202) 694-5172	kjones@ers.usda.gov
Carolyn Liggon (web publishing)	(202) 694-5056	cvliggon@ers.usda.gov

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Data Products

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>

Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>

Hogs, <http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx>

Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>

WASDE,

<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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U.S. red meat and poultry forecasts

	2010					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	III	IV	Annual	I	II	III	IV	Annual	
Production, million lb																															
Beef	6,248	6,546	6,768	6,741	26,304	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	6,183	6,178	6,020	24,249	5,685	6,225	5,955	5,965	23,830	
Pork	5,607	5,302	5,401	6,126	22,437	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	5,504	5,423	6,140	22,852	5,935	5,735	5,845	6,380	23,895	
Lamb and mutton	35	32	33	34	134	36	40	36	37	149	39	39	39	40	156	38	41	40	38	156	37	43	38	37	154	38	37	36	147		
Broilers	8,733	9,198	9,496	9,483	36,910	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	9,618	9,835	9,850	38,586	9,550	9,970	10,130	9,980	39,630	
Turkeys	1,340	1,383	1,415	1,506	5,644	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	1,429	1,478	1,500	5,739	1,400	1,475	1,525	5,925		
Total red meat & poultry	22,122	22,626	23,291	24,059	92,097	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	22,935	23,109	23,699	92,198	22,757	23,604	23,658	24,044	94,063	
Table eggs, mil. doz.	1,616	1,636	1,650	1,672	6,574	1,631	1,641	1,665	1,715	6,652	1,684	1,680	1,707	1,771	6,842	1,711	1,724	1,750	1,798	6,983	1,746	1,776	1,802	1,840	7,164	1,800	1,815	1,830	1,875	7,320	
Per capita disappearance, retail lb 1/																															
Beef	14.6	15.1	15.3	14.6	59.6	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	56.3	13.1	14.0	13.7	13.5	54.3	12.8	13.8	13.1	13.1	52.7	
Pork	11.8	11.4	11.7	12.8	47.8	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	11.0	11.1	13.1	46.5	11.6	11.5	11.6	12.5	47.1	
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	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	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.90	
Broilers	20.1	20.5	21.4	20.4	82.4	21.5	21.4	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.1	20.3	21.0	20.5	81.9	20.2	20.9	21.1	21.2	83.4	20.9	21.6	21.6	21.4	85.6	
Turkeys	3.6	3.6	4.1	5.2	16.4	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	3.9	4.9	15.7	3.2	3.5	4.2	4.9	15.8	
Total red meat & poultry	50.7	51.2	53.3	53.7	208.9	51.2	51.3	51.0	51.0	204.6	49.3	50.3	50.7	52.0	202.3	49.5	50.3	51.3	52.4	203.6	48.7	50.0	50.5	53.3	202.5	49.1	51	51.1	52.5	203.7	
Eggs, number	61.8	61.9	62.5	63.1	249.3	61.3	61.5	62.8	64.3	250.0	63.3	62.3	63.3	65.4	254.3	63.5	62.6	63.9	65.1	255.2	63.8	64.6	65.4	66.4	260.2	65.4	65.8	66.1	67.8	265.2	
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	125.29	120.91	119.69	125.54	122.86	125.52	124.95	122.30	130.77	125.89	146.34	147.82	158.49	165.6	154.56	162-168	160-172	157-171	158-172	159-171	
Feeder steers, Ok City, \$/cwt	98.73	112.65	112.29	113.55	109.31	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	220.90	234.25	202.82	230-236	234-246	231-245	227-241	230-242	
Cutter Cows, National L.E., \$/cwt	51.79	58.79	58.90	54.63	56.10	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	98.57	111.27	109.21	102.04	105-111	107-119	103-117	101-115	104-116	
Choice slaughter lambs, San Angelo, \$/cwt	103.87	106.17	115.57	141.62	116.81	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	156.02	162.69	158.60	157-163	159-171	158-172	153-167	157-169	
Barrows & gilts, N. base, 1.e. \$/cwt	50.41	59.60	60.13	50.11	55.06	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	85.40	83.30	66.74	76.03	64-68	66-72	65-71	54-58	60-65	
Broilers, 12 City, cents/lb	82.70	85.60	83.90	80.10	83.10	80.20	83.00	78.00	79.90	87.40	85.10	82.00	92.10	86.60	103.50	108.60	93.90	92.80	99.70	98.40	113.70	104.60	102.8	104.90	102-108	102-110	99-107	98-106	100-107		
Turkeys, Eastern, cents/lb	75.60	84.40	97.90	103.70	90.40	90.20	99.90	106.40	111.60	102.00	100.70	106.90	108.50	106.10	105.60	96.00	97.70	99.90	105.40	99.80	100.70	105.60	110.20	113.9	107.60	101-107	100-108	104-112	108-116	103-111	
Eggs, New York, cents/doz.	126.00	82.80	93.10	123.20	106.30	105.80	106.60	117.70	131.20	115.30	108.70	99.70	131.90	129.40	117.40	126.90	109.90	119.00	143.00	124.70	142.70	134.60	129.30	162.7	142.30	137-145	116-126	112-122	133-145	125-134	
U.S. trade, million lb																															
Beef & veal exports	478	585	590	646	2300	633	702	766	683	2,785	558	624	650	620	2,452	557	637	716	680	2,590	583	667	679	655	2,584	575	650	675	625	2,525	
Beef & veal imports	573	691	598	436	2,298	461	593	548	454	2,057	582	669	516	453	2,220	590	629	515	516	2,250	596	768	764	720	2,848	645	725	725	2,700		
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	49	45	40	180	47	42	37	166		
Pork exports	1045	1081	951	1146	4,223	1,248	1,208	1,260	1,481	5,196	1,442	1,301	1,251	1,386	5,380	1,219	1,226	1,206	1,342	4,992	1,345	1,281	1,090	1,125	4,841	1,300	1,275	1,250	1,425	5,250	
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	205	802	208	210	229	233	880	212	240	256	300	1,008	240	230	220	910		
Broiler exports	1468	1699	1642	1954	6,762	1,526	1,598	1,976	1,877	6,978	1,734	1,791	1,864	1,886	7,274	1,752	1,865	1,855	1,874	7,345	1,831	1,829	1,860	1,800	7,319	1,745	1,795	1,945	1,875	7,360	
Turkey exports	113	136	158	174	581	159	171	173	199	703	180	184	216	217	797	179	182	197	201	759	163	188	222	225	799	195	200	210	215	820	
Live swine imports (thousand head)	1446	1408	1479	1416	5,749	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,300	1,255	1,075	4,957	1,196	1,216	1,265	1,275	4,952	1,200	1,200	1,200	1,200	4,800	

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.

For further information, contact: Midred M. Haley, (202) 694-5176, mhaley@ers.usda.gov

Updated 01/16/2015

Dairy Forecasts

	2013	2014					2015				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,221	9,214	9,253	9,271	9,280	9,255	9,290	9,310	9,320	9,335	9,315
Milk per cow (pounds)	21,822	5,540	5,713	5,518	5,490	22,260	5,660	5,835	5,620	5,615	22,730
Milk production (bil. pounds)	201.2	51.0	52.9	51.2	50.9	206.0	52.6	54.3	52.4	52.4	211.7
Farm use	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	200.2	50.8	52.6	50.9	50.7	205.0	52.3	54.1	52.1	52.2	210.7
Milk fat (bil. pounds milk equiv.)											
Milk marketings	200.2	50.8	52.6	50.9	50.7	205.0	52.3	54.1	52.1	52.2	210.7
Beginning commercial stocks	12.2	11.2	12.8	13.3	12.1	11.2	11.3	14.0	15.0	13.3	11.3
Imports	3.7	0.8	0.8	1.1	1.4	4.2	0.9	0.9	0.9	1.1	3.8
Total supply	216.2	62.8	66.2	65.3	64.2	220.4	64.6	69.0	68.0	66.6	225.8
Commercial exports	12.4	3.9	3.5	2.8	2.1	12.3	2.3	2.7	3.2	3.0	11.1
Ending commercial stocks	11.2	12.8	13.3	12.1	11.3	11.3	14.0	15.0	13.3	11.9	11.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	192.6	46.2	49.4	50.4	50.8	196.8	48.3	51.4	51.5	51.7	202.9
Skim solids (bil. pounds milk equiv.)											
Milk marketings	200.2	50.8	52.6	50.9	50.7	205.0	52.3	54.1	52.1	52.2	210.7
Beginning commercial stocks	12.4	11.6	12.7	13.3	12.4	11.6	13.1	14.2	15.6	13.4	13.1
Imports	5.3	1.4	1.2	1.5	1.5	5.6	1.3	1.3	1.3	1.5	5.5
Total supply	217.9	63.9	66.5	65.6	64.6	222.3	66.8	69.6	69.1	67.0	229.3
Commercial exports	38.5	9.8	11.0	9.3	9.0	39.1	8.8	9.2	10.0	9.6	37.6
Ending commercial stocks	11.6	12.7	13.3	12.4	13.1	13.1	14.2	15.6	13.4	12.9	12.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	167.7	41.4	42.3	44.0	42.4	170.1	43.7	44.8	45.7	44.5	178.8
Milk prices (dol./cwt) 1/											
All milk	20.05	24.53	24.23	24.37	22.73	23.97	18.85	16.55	17.30	18.30	17.75
							-19.25	-17.25	-18.30	-19.30	-18.55
Class III	17.99	22.61	22.75	22.82	21.19	22.34	15.60	15.70	16.40	17.10	16.20
							-16.00	-16.40	-17.40	-18.10	-17.00
Class IV	19.05	23.14	23.04	23.42	18.75	22.09	14.20	14.90	16.45	16.80	15.60
							-14.70	-15.70	-17.55	-17.90	-16.50
Product prices (dol./pound) 2/											
Cheddar cheese	1.768	2.213	2.187	2.168	2.053	2.155	1.540	1.545	1.610	1.680	1.590
							-1.580	-1.615	-1.710	-1.780	-1.670
Dry whey	0.590	0.630	0.677	0.683	0.625	0.654	0.545	0.545	0.555	0.565	0.550
							-0.565	-0.575	-0.585	-0.595	-0.580
Butter	1.545	1.779	2.053	2.574	2.140	2.136	1.570	1.620	1.635	1.585	1.600
							-1.640	-1.720	-1.765	-1.715	-1.710
Nonfat dry milk	1.707	2.067	1.920	1.707	1.379	1.768	1.120	1.180	1.355	1.425	1.270
							-1.160	-1.240	-1.425	-1.495	-1.330

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 "National Dairy Products Sales Report".

Sources: USDA National Agricultural Statistics Service, USDA Agricultural Marketing Service, USDA Foreign Agricultural Service, and USDA World Agricultural Outlook Board. For further information, contact Jerry Cessna, 202-694-5171, jgcessna@ers.usda.gov, or contact Roger Hoskin, 202 694 5148, rhoskin@ers.usda.gov
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