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# Livestock, Dairy, and Poultry Outlook

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## Heavier Dressed Weights Limit Declining Beef Production

**Beef/Cattle:** Despite continuing drought in the Southwestern United States, winter precipitation has kept feeder cattle on Southern Plains wheat pasture. Placements of heavier feeder cattle in feedlots during the first and second quarters, combined with heavier average dressed weights for cows, could mitigate anticipated declines in cattle slaughter. Despite record retail beef prices, recent declines in live cattle prices have not resulted in significantly wider packer margins.

**Beef/Cattle Trade:** U.S. cattle imports were weaker during January than in the same period a year earlier. U.S. beef imports in January were 63.7 percent higher than the previous year, mostly due to higher shipments from Australia, while January beef exports were below those of last year.

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Tables will be released on Mar. 27, 2015

The next newsletter release is Apr. 15, 2015

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Approved by the World Agricultural Outlook Board.

### 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 increased first-quarter 2015 pork production slightly, to reflect larger than expected February hog slaughter and heavier average dressed weights. January pork exports were off sharply—21.4 percent—due in part to labor disputes at Pacific U.S. port facilities that limited shipments to Asia. Pork imports were up sharply, due in large part to the higher exchange rate value of the U.S dollar, which tends to lower foreign product prices. Retail pork prices are exhibiting stickiness even as wholesale pork prices decline.

**Poultry:** Broiler meat production for 2015 is estimated at 40 billion pounds, up 75 million from the previous estimate. Production increased by 5 percent in January due to an increase in the number of birds slaughtered and growth in average live weights. Turkey meat production for 2015 is forecast at 6.1 billion, up 6 percent from the previous year. With higher production, turkey cold storage holdings at the end of January rose to 280 million pounds. Table egg production continues to expand and production in January was 619 million dozen, up 1 percent from a year earlier.

**Poultry Trade:** Turkey and egg and egg product shipments in January were up from a year ago, while broiler shipments were down compared with a year earlier. Broiler shipments totaled 529.2 million pounds in January 2015, a decrease of 12.4 percent from a year earlier. Turkey shipments increased 2.4 percent from a year ago, totaling 51.9 million pounds, while egg and egg product exports totaled 33.7 million dozen in January 2015, a 26.0-percent increase from the previous January.

**Dairy:** Milk production for 2015 is forecast at 211.1 billion pounds, 2.5 percent higher than the 2014 level of 206.0 billion pounds, but 0.4 billion pounds less than forecast last month. The Class III milk price forecast is lowered to \$15.95-\$16.55 per hundredweight (cwt) due to lower whey prices, and the Class IV milk price forecast is raised to \$15.30-\$16.00 per cwt due to higher butter and nonfat dry milk prices. The all-milk price for 2015 is forecast at \$17.05-\$17.65 per cwt, a decrease from last month's forecast of \$17.40-\$18.10 per cwt.

### *Heavier Dressed Weights Limit Declining Beef Production*

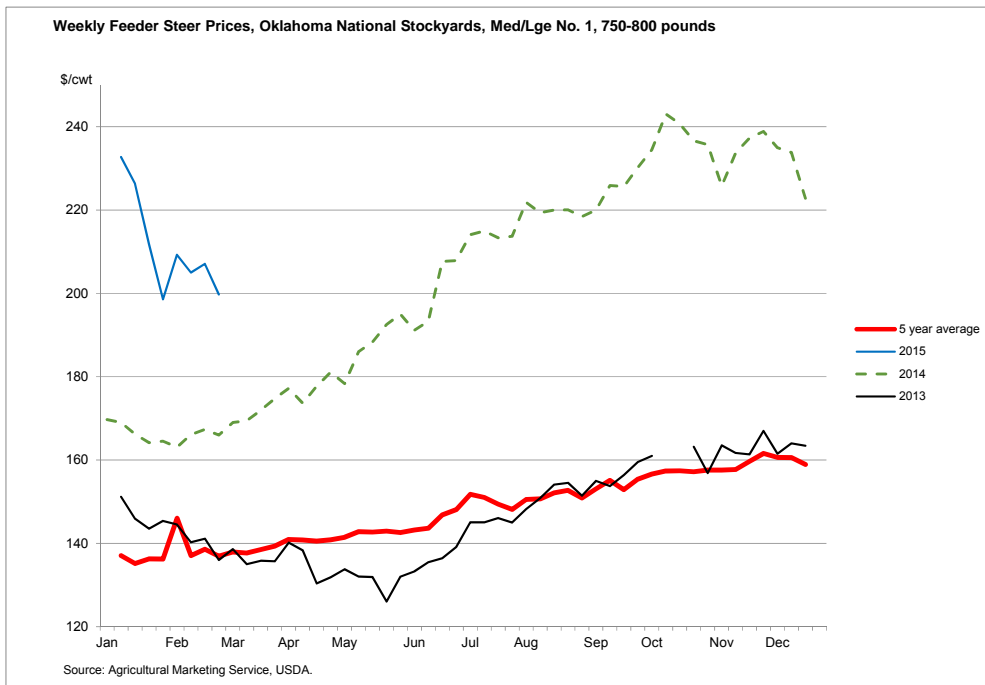
Drought conditions persist in the Southwestern United States, but Southern Plains wheat pasture has received sufficient moisture to remain in relatively good shape. As a result, wheat-pasture cattle will likely be able to remain on pasture until mid-March before heading to feedlots. This could lead to second-quarter 2015 net placements in feedlots of 1,000-plus head, slightly higher year over year but not enough higher to push first-half placements higher year over year. However, despite expected year-over-year lower total first-half net placements in 1,000-plus head feedlots, second-half 2015 beef production is forecast to be near 2014 production for the same period because of longer feeding times for steers and heifers, heavier dressed weights for all cattle, and more steers and dairy cows in the slaughter mix.

### *Further Signs of Cow-Herd Rebuilding*

USDA National Agricultural Statistics Service's Livestock Slaughter report, released February 19, 2015, reported federally inspected (FI) slaughter that consisted of fewer heifers slaughtered in January (649,300 head) compared with January 2014 (751,500 head). This represents 35 percent of total FI steer and heifer slaughter of 1,858,000 head in January 2015 and 37 percent of 2,051,000 head in January 2014. The reduction of heifer slaughter in the steer and heifer mix is likely a result of producers retaining some extra heifers for breeding purposes. Thus far in 2015, commercial cow slaughter appears to be largely of dairy cows, which—due to their larger size—has resulted in higher average dressed weights. However, commercial beef cow slaughter was down by 24 percent, leaving total January commercial cow slaughter down by 11 percent year over year, but indicative of efforts to rebuild the beef-cow herd. January 2015 monthly commercial dairy cow slaughter was up 2 percent year over year. Weekly FI cow slaughter indicates a continuing pattern of relatively high dairy cow slaughter, with average dressed weights for all cows reaching a weekly record high of 663 lbs per carcass.

Incorporating the removal of cows and bulls on feed back to February 2013, the February 20, 2015, Cattle on Feed reported cattle on feed in lots of 1,000-plus head were up in January 2015 compared with January 2014. January marketings were the lowest since the series began in 1996. First- and second-quarter 2015 marketings are expected to pick up from January levels due to anticipated numbers of heavy cattle coming off of winter wheat pastures in the short term. Weekly average 750-800-lb feeder steer prices declined through the last week in February 2015 but were still up from the same time in 2014 (see figure).

The combination of heavier dressed weights of cows due to more dairy cows in the slaughter mix and heavier weights for cattle on feed may not be enough to increase first-half 2015 beef production to higher year-over-year levels, but first-half beef production could be close to first-half 2014 levels. Heavier placement weights this past fall and winter might imply more beef production during the first half of 2015, but the decline of second-half cow slaughter and moderating carcass weights are expected to result in lower second-half beef production.



### ***Fed Slaughter Reduced Despite Record Retail Beef Prices***

The undertone in the wholesale beef market remains soft but should not be confused with poor demand. From a historical perspective, total meat consumption tends to languish during the winter quarter but is followed by a period of increased consumption as the spring grilling season approaches. At least in the short term, packers continue to operate in the red as buyers at the wholesale level remain reluctant to significantly increase beef purchases. While wholesale beef cutout values did rally noticeably in late February as a result of reduced steer and heifer slaughter, prices have not been high enough for packers to experience a sustained period of positive margins, even though certain components of the cutout—such as 90 percent lean beef—remain at historical record levels. Retail beef prices rose to record highs in January, with January 2015 Choice retail beef at \$6.33/lb—up almost a dollar from this time last year—and All Fresh retail beef at \$6.00/lb, up over a dollar from January 2014.

In comparison with competing markets, the spread between beef and pork and beef and chicken remains wide, and this could leave beef at a disadvantage in seasonal consumer purchasing patterns and the mix of retail features on a weekly basis. The popularity of ground beef remains intact despite ground beef prices above 2014 levels. Lean processing beef prices subsided in February but remained well above the 5-year average. Imports of lean processing beef from Australia and New Zealand remain robust and are alleviating some of the upward momentum in the spot lean-processing meat markets. Nonetheless, beef prices are not expected to undergo the large decline anticipated in the pork and poultry markets this year.

### ***Cattle Imports Down To Begin 2015***

January cattle imports fell 13.9 percent compared with a year earlier. Imports from Mexico were 2.7 percent lower than last January, and imports of Canadian cattle were also down at 25.9 percent below a year earlier. Imports of cattle between 400 and 700 pounds were 17.7 percent higher in January, due primarily to gains in Mexico. The overall decline in cattle imports in January resulted from reduced imports of cattle over 700 pounds from Canada, which were 30.3 percent less than in January 2014. The forecast for U.S. cattle imports in 2015 is unchanged from February and is expected to total 2.300 million head, as demand for imported cattle is expected to remain strong through next year due to tight U.S. cattle inventories.

### ***Beef Imports Rise in January***

U.S. beef imports were up notably in January at 63.7 percent compared with a year earlier. Imports rose by the greatest volume from Australia (+123.7 percent), Nicaragua (+99.6 percent), and New Zealand (+38.2 percent). Demand for imported processing beef expanded rapidly in 2014 due to lower domestic supplies of lean beef. The majority (57.9 percent) of the total increase in beef shipments in January came from Australia, with U.S. imports totaling 120.9 million pounds in January. A strong U.S. dollar and relatively cheaper prices of imported products have encouraged U.S. imports of beef, which totaled 2.947 billion pounds in 2014. Imports in 2015 are forecast at 2.860 billion pounds.

At 162.7 million pounds, U.S. beef exports in January fell 19.3 percent compared with a year earlier. Despite a significant increase in U.S. beef prices, export volumes to a number of markets had risen in 2014, but January 2015 exports were down in all major markets. Exports were down to Hong Kong (-32.6 percent), Mexico (-10.7 percent), and South Korea (-28.3 percent). Japan remains the largest market for U.S. beef, but shipments were down 15.4 percent for the year. Exports to Canada also declined in January (-23.6 percent) as the combination of higher U.S. prices and a weaker Canadian dollar took a toll on Canadian demand for U.S. beef. Exports are forecast to fall in 2015 to 2.400 billion pounds due to lower expected U.S. beef production and a strong dollar.

### ***More and Heavier Hogs in the First Quarter***

USDA raised first-quarter U.S. commercial pork production by 30 million pounds, as hog slaughter and average dressed weights in February were both higher than earlier anticipated. Estimated federally inspected hog slaughter in February—9 million head—was more than 4 percent above a year ago, while average dressed weights will likely finish the quarter more than 2 pounds heavier than animals slaughtered a year ago. First-quarter commercial pork production is expected to be 6.2 billion pounds, almost 7 percent greater than a year ago. Prices for live equivalent 51-52 percent lean hogs will likely continue to reflect expectations for continued rebound from the effects of Porcine Epidemic Diarrhea (PEDv) last year, that is, from larger supplies of hogs. Hog prices are expected to average \$49-\$50 per cwt, about 28 percent below first-quarter prices a year ago.

USDA will release the *Quarterly Hogs and Pigs* report on March 27. The inventory and hog production information in the report will aid efforts to discern the extent of hog industry's rebound from PEDv.

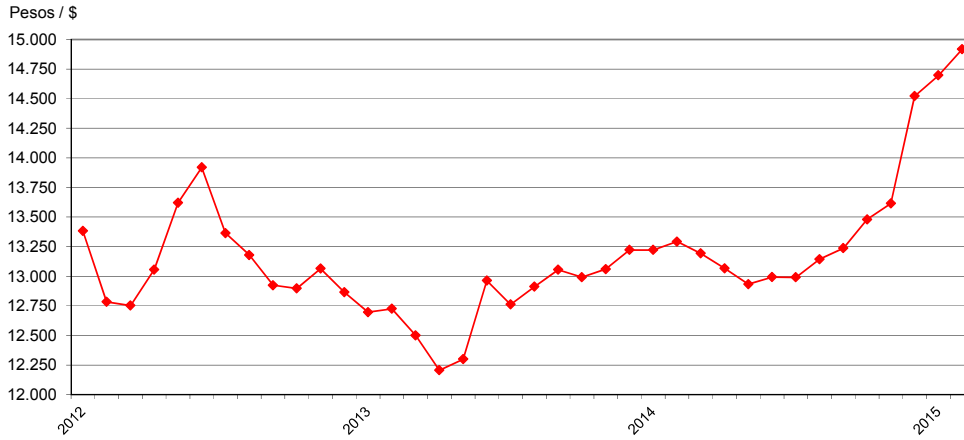
### ***January Exports Sharply Lower***

January U.S. pork exports were 348 million pounds, a volume more than 21 percent below a year ago. With the exception of South Korea, shipments of U.S. pork to all major foreign destinations were lower than a year ago. Most of the decline was clearly centered in Asia, to which exports have been hampered recently by labor disputes at U.S. Pacific ports. The dispute has reportedly been resolved, but freight backlogs are likely to hamper resumption of smooth export flows well into the first quarter.

### ***For the Third Consecutive Month, Exports to Mexico Lower***

While labor problems at U.S. West Coast ports likely contributed to declines in January exports to Asia, shipments to Mexico—not much affected by Pacific port labor disputes—were marginally lower than a year ago. Last year, Mexico was the largest foreign market for U.S. pork, in terms of volume. Lower shipments to Mexico in January could be attributed in part to the high exchange rate of the U.S. dollar; as the value of the U.S. dollar increases, more pesos are necessary for buying U.S. products, leading to lower demand. The figure below shows the recent history of this key exchange rate, which affects buying decisions of a country that is an important source of growth for U.S. pork exports.

Monthly exchange rate, Mexican pesos per U.S. dollar, 2012 - February 2015



Source: Board of Governors of the Federal Reserve System. <http://www.federalreserve.gov/releases/g5current/default.htm>.

USDA lowered its first-quarter 2015 pork export forecast to 1.1 billion pounds to reflect logistical issues that will likely encumber shipments to Asia, in particular, well into the first quarter. Total U.S. exports in 2015 are expected to be 4.75 billion pounds, about 2 percent below a year ago. The table below summarizes U.S. exports to major foreign markets in January for the past 2 years.

### ***Pork Imports Surge***

While a high-valued U.S. dollar makes U.S. pork relatively more expensive in foreign markets, the flip-side is also true: a high-valued dollar makes foreign goods relatively cheaper for U.S. importers. This idea was reflected in January pork import numbers, which, at 92 million pounds, were 32 percent above imports a year earlier. The five largest foreign pork suppliers to the U.S. in January of the past 2 years are summarized on the final page of this section.

USDA revised its pork import forecasts for 2015 to reflect expected impacts of U.S. dollar exchange rates on U.S. demand for foreign pork products. The United States is expected to import 265 million pounds of pork in the first quarter of 2015, a volume 25 percent larger than a year ago. Total pork imports are expected to be 1 billion pounds, slightly below imported volumes in 2014.

### ***Lower Pork Prices Slow To Arrive at Retail Level***

Increases in first-quarter U.S. pork production, slower exports, and larger pork imports have all likely played a role in year-over-year lower U.S. pork wholesale prices thus far in 2015. Since the beginning of the year, the USDA Estimated Pork Carcass Cutout has fallen almost 17 percent. The January retail composite pork price was \$3.989 per pound, down marginally from December (\$3.991 per pound), but still more than 6 percent higher than a year ago. The pork composite retail price is expected to average in the mid-\$3.80s for 2015 as retailers endeavor to hold on to strong pork margins that developed last year when beef prices skyrocketed and expectations for lower retail pork supplies abounded as PEDv reduced pig numbers.

**U.S. pork exports to 10 largest foreign destinations, January 2015 and 2014**

	Country	2015 (million lbs)	2014 (million lbs)	Percent change %
	World	348	442	-21
1	Mexico	123.8	124.3	-0.4
2	Japan	85	114	-25
3	S. Korea	44	34	29
4	Canada	40	43	-7
5	China\Hong Kong	12	54	-78
6	Colombia	9	14	-36
7	Australia	8	20	-61
8	Dominican Republic	4	3	24
9	Honduras	3	4	-12
10	Philippines	3	5	-34

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

**U.S. pork imports from 5 largest foreign suppliers, January 2015 and 2014**

	Country	2015 (million lbs)	2014 (million lbs)	Percent change %
	World	92	70	32
1	Canada	73	54	34.8
2	Poland	6	3	120.3
3	Denmark	5	6	-12.7
4	Mexico	2	2	-5.8
5	Italy	1	1	14.6

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



### ***Broiler Production Estimate for 2015 Revised Upward, January Production Rises***

The estimate for broiler meat production in 2015 was increased to 40 billion pounds, up 75 million pounds from the previous estimate. With this change, broiler meat production in 2015 would be 4 percent higher than in 2014. The increase from the earlier estimate is expected to come from both a greater number of birds slaughtered and higher average weights. The growth in the number of eggs in incubators and the number of chicks placed for growout has been relatively steady at between 2.5 and 2.8 percent larger than the previous year, with higher weights accounting for the remainder of the increase. Broiler integrators are expected to expand production in 2015, primarily due to relatively low feed costs and an improving domestic economy.

Broiler meat production for January 2015 totaled 3.3 billion pounds, an increase of 5 percent from the previous year. The increase was the result of both a higher number of birds slaughtered and a higher average live weight for those birds. The number of birds slaughtered totaled 725 million, 3 percent higher than in January 2014, but 1 percent lower than in January 2013. Production in January was also boosted by a 2-percent increase in the average live weight to 6.12 pounds: increasing live weights have been a continuing source of growth in broiler meat production, averaging higher on a year-over-year basis for the last 30 months.

In the *NASS Poultry Slaughter Summary* there were some revisions to broiler meat production and slaughter numbers for 2013 and 2014. The meat production revisions for 2013 and 2014 were very minor, adding only several million pounds to previous annual totals.

The *NASS Broiler Hatchery Report* of broiler eggs being placed in incubators and chicks going to growout farms points toward continued increases in birds available for slaughter. Over the last 5 weeks (February 6 to March 6), the number of eggs placed in incubators has averaged 207 million, 3 percent above the same period last year. During the same 5-week period, chicks being placed for growout (an average of 169 million per week) showed about the same level of increase from the previous year, up 3 percent. These chicks are expected to reach slaughter weights in the first half of second-quarter 2015 (April to early-May) based on an average 7- to 8-week growout period.

The *NASS Annual Cold Storage Report* contained some small adjustments to ending stocks throughout 2014. However, the only quarterly ending stocks figure that changed was for the second quarter of 2014, which increased to 564 million pounds, the same total as the ending stocks for first-quarter 2014. With higher production the ending stocks estimate for 2015 is 700 million pounds, slightly higher than for 2014.

### ***Broiler Stocks 4 Percent Higher in January***

Stocks of broiler products at the end of January 2015 totaled 687 million pounds, 4 percent above the previous year. Changes in the cold storage holdings of broiler products were mixed compared with the previous year. Stocks of whole birds, leg

quarters, and wings were lower, but these declines were more than offset by strong increases for breast meat, legs, and thigh meat. Stocks of breast meat totaled 156 million pounds, over 37 percent higher than the previous year. Stocks of legs were 16 million pounds, but this is an increase of 80 percent from the previous year. Thighs and thigh-meat cold storage holdings both rose by 13 percent from the previous year. Even with increases expected in broiler meat production, stocks are expected to decline from their January levels to 675 million pounds by the end of first-quarter 2015. This is 20 percent higher than in first-quarter 2014, and cold storage holdings in 2015 are expected to remain above their 2014 levels throughout the year.

With higher broiler meat production expected throughout 2015 compared with 2014 plus higher stock levels, wholesale prices for most broiler products are expected to face downward price pressure. The impact of these factors on prices could vary considerably depending on the parts, and prices will also be impacted by price changes for other meats and any weakness in the export market. Although cold storage holdings at the end of January were down significantly from the previous year, in February, the national whole broiler price was \$0.93 per pound, fractionally higher than a year earlier but down 7 cents a pound from January 2015. With the exception of breast meat, prices for most other broiler products also moved lower. Prices for boneless/skinless breast meat in February in the Northeast market averaged \$1.40 per pound, 14 percent higher than in the previous year. Prices for rib-on breasts averaged \$1.18 in February, 11 percent higher. Prices were lower for almost all other products. The average price for boneless/skinless thigh meat was \$0.99 per pound, down 20 percent since February 2014. With an export market hit by trade bans and a strong dollar, price for leg quarters declined to \$0.37 per pound, 13 percent lower than a year earlier.

### ***Turkey Production Forecast To Increase***

Turkey meat production for 2015 is expected to total 6.1 billion pounds in 2015, 6 percent higher than in 2014. Production is expected to be sharply higher during the first half and then slightly less in the second half. The 2015 increase is expected in response to lower feed costs, relatively strong prices for beef and broilers, and improving domestic economic conditions.

Turkey meat production in January 2015 totaled 492 million pounds, up 8 percent from the previous year. This is the fifth consecutive month that turkey meat production has been higher on a year-over-year basis. In all of these months, the increase was primarily due to more turkeys slaughtered per day than in the previous year. However, in each month there were also small increases in the average live weight of these birds. In January, the increase in production was the result of both a higher number of turkeys slaughtered (up 7 percent) and an increase in the average weight of the turkeys at slaughter to 31.5 pounds (up 1 percent). With continued increases in the number of poults placed for growout (up on a year-over-year basis for the last 11 months), the number of turkeys slaughtered is expected to be higher throughout 2015. Average turkey live weights, however, are expected to show only small gains.

## ***Turkey Stocks 24 Percent Lower***

The turkey stocks estimate for the end of January 2015 was 280 million pounds, only 1 percent higher than at the same period the previous year. The increase in cold storage holdings stems from higher holdings for whole turkey and assorted turkey parts in the “other” and unclassified groups. These increases more than offset a large decline in stocks of breast meat of 32 percent and a 4-percent decline in stocks of mechanically deboned meat (MDM). At the end of January, stocks of whole birds were estimated at 116 million pounds, with stocks of whole hens and whole toms both higher than the previous year.

With turkey meat production expected higher in 2015, stocks of whole turkeys and turkey products are expected to increase seasonally during 2015 and remain above their 2014 levels. The higher stock levels, along with smaller exports, are expected to place downward pressure on prices.

The increase in whole turkey stocks has yet to place significant downward pressure on whole bird prices. In February, prices for frozen whole hens averaged \$0.99 per pound, down less than 1 percent from the previous year. Prices for frozen whole hens had been higher on a year-over-year basis throughout 2014. Prices for fresh whole birds have increased compared with the previous year. February prices for whole hens and toms were both up slightly from the previous year. Weekly prices for most turkey parts have moved lower over the last month, with some exceptions: prices for turkey breasts, boneless/skinless breasts, and V-type wings were still well above their year-earlier levels. On the other hand, prices for drumsticks, thighs, and mechanically separated meat were all significantly lower than a year earlier. With higher turkey meat production expected during 2015, prices for most turkey parts are expected to continue to move downward compared with the previous year.

## ***Table Egg Production Higher in January***

Table egg production in January was 619 million dozen, up 1 percent from the previous year. Table egg production has been expanding in the last several years, and it has been higher on a year-over-year basis in every month since April 2011. The number of birds in the table egg flock in January was 306 million, also 1 percent higher than the previous year. The size of the table egg flock is expected to continue slightly higher than the previous year for most of 2015, with a resulting increase in table egg production to 7.32 billion dozen. Table egg production is forecast at 1.8 billion dozen in first-quarter 2015, 2 percent higher than the previous year. The *NASS Annual Chicken and Egg Report* contained upward revisions to table egg production in 2012, 2013, and 2014. The revisions in 2014 increased each of the quarterly totals and added an additional 95 million dozen to the annual total, bringing it to 7.3 billion dozen.

While table egg production continued its long-term upswing in January, hatching egg production expanded after being only fractionally higher in 2014. Total hatching egg production was 1.1 billion dozen in 2014, divided into 990 million dozen meat-type hatching eggs (up 1 percent) and 79 million dozen egg-type hatching eggs (down 5 percent). Hatching egg production in January was 93 million dozen, a 3-percent increase from the previous year. The gain in production came from a higher number on hens in the hatchery egg flocks and an increase in the average rate of lay per 100 birds. The number of meat-type hens in the hatchery

egg flock rose to 53.8 million during January, an increase of 2 percent from the previous year. Hatching egg production during 2015 is expected to be up 4 percent to 1.11 billion dozen eggs as the broiler industry expands production and strong table egg prices increase the demand for egg-type pullets. As with table eggs, the *NASS Annual Chicken and Egg Report* contained some revisions to hatching egg production in 2013 and 2014, but the revisions were all relatively minor.

Wholesale table egg prices have been strong in January and February, averaging approximately \$1.26 and \$1.45 per dozen, respectively, for Grade A large eggs in the New York market. With an early Easter (April 5), table egg prices are expected to remain strong through first-quarter 2015 and then decline seasonally and average considerably lower in the second and third quarters. The price forecast for first-quarter 2015 is \$1.41 to \$1.44 per dozen, about the same as a year earlier. The forecasts for both the second and third quarters are \$1.18 to \$1.24 and \$1.12 to \$1.22 per dozen, respectively. With an expected expansion in table egg production, egg prices for 2015 are expected to average \$1.26 to \$1.34 per dozen, down from \$1.42 in 2014.

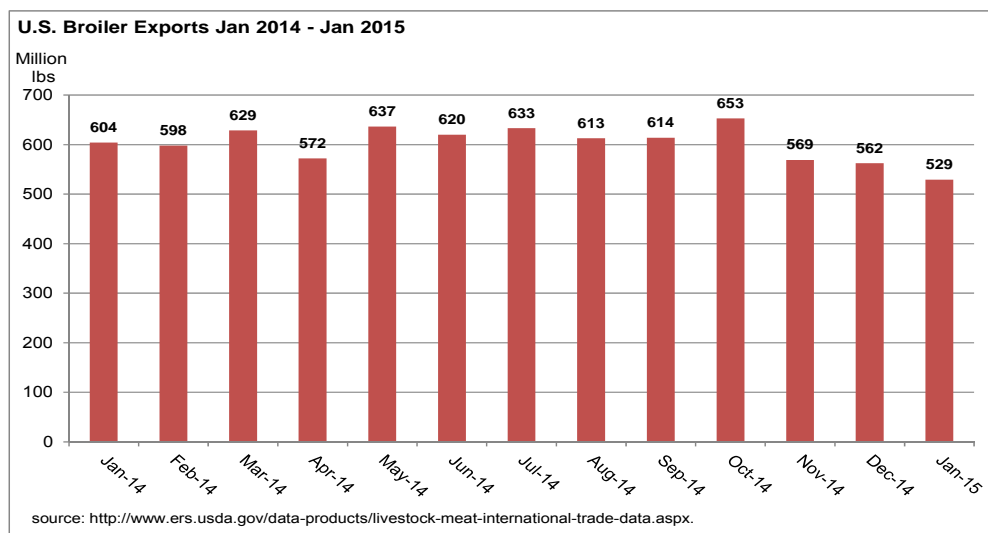
## Poultry Trade

### *U.S. Broiler Shipments Down in January*

Broiler shipments in January 2015 decreased 12.4 percent from a year earlier, totaling 529.2 million pounds. Top export partners in January included Mexico, Georgia, Canada, Cuba, and Vietnam, with Mexico leading with 122.9 million pounds shipped in January. The second highest U.S. export market was Georgia, with 32.4 million pounds shipped, followed by Canada with 28.4 million pounds. Cuba and Vietnam finished fourth and fifth, with exports totaling 27.6 and 25.7 million pounds, respectively.

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 July 2014, 7.1 percent of U.S. broiler shipments had been sent to Russia. The loss of exports to Russia in January (from 46.1 million pounds in January 2014) was countered by continuing strength in a number of Asian, Former Soviet Union, Middle Eastern, and Sub-Saharan African markets.

In addition to the continuing effects of Russia's ban on exports, new bans by China and South Korea went into effect during January and contributed to the overall decline in broiler exports. The bans by China and South Korea were the result of reported HPAI outbreaks in the Pacific Northwest. While outbreaks of HPAI commonly lead to State or county bans, the bans placed by China and South Korea impact the entire United States. In 2014, China and South Korea combined represented 5.5 percent of total U.S. broiler shipments. While some exports did go through in early January, the ban resulted in 25.7 million fewer pounds shipped to the two countries as compared with January 2014. Some of the losses were countered by gains in other Asian markets, most notably to Vietnam and Singapore. Broiler exports in 2014 were 7.304 billion pounds, and USDA forecasts 7.100 billion pounds of broiler exports for 2015. The decline for 2015 reflects the bans in place by Russia, South Korea, and China, as well as the continuing strength of the U.S. dollar, which is expected to make it more difficult for the United States to compete with other exporters.



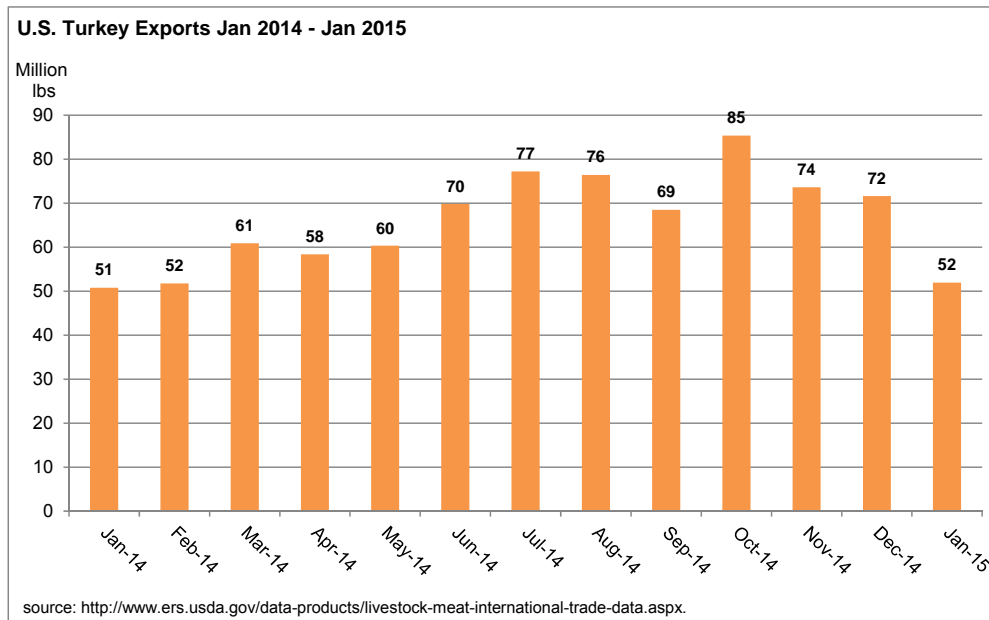
### ***Turkey Exports Increase in January***

In January, turkey exports totaled 51.9 million pounds, 2.4 percent higher than the previous January. The increase in exports in January was mainly due to a 15.9-percent increase in exports to Mexico, the largest market for U.S. turkey exports. China's ban on poultry products resulted in a decline of 3.9 million pounds compared with a year earlier. China represented 7.6 percent of total U.S. turkey exports in 2014. South Korea's ban had a smaller impact on turkey exports as the country only represented 0.7 percent of 2014 exports.

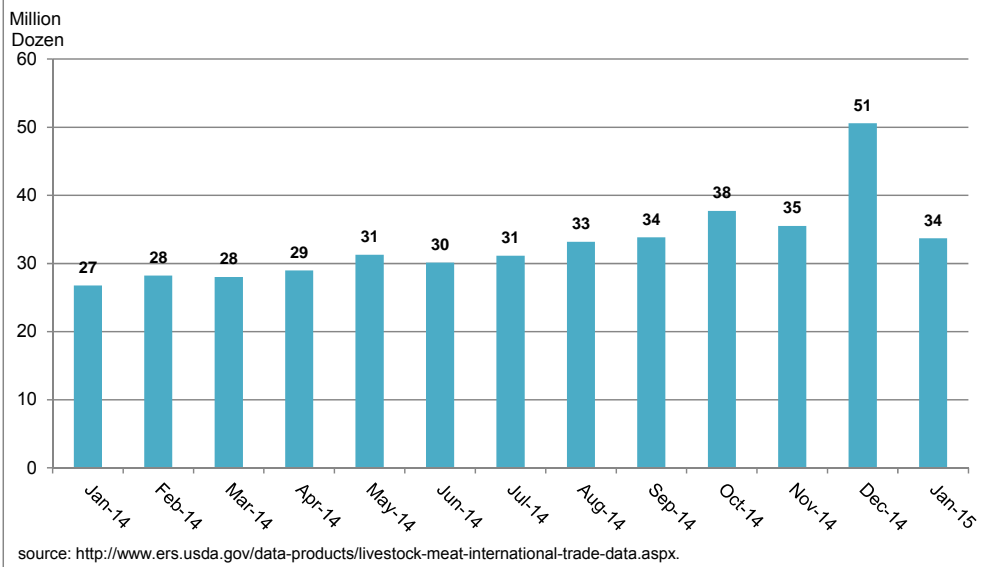
Turkey exports in 2015 are expected to fall to 765 million pounds, a decline of 4.9 percent. Most of the decline is expected to occur in the first half of the year. The decline is due in part to restrictions placed on U.S. exports as of March 9 due to outbreaks of Avian Influenza in several poultry operations, but also as a result of the strength of the dollar against most currencies.

### ***Egg Exports Up in January, Expected Higher in 2015***

Total egg exports (shell eggs and egg products) reached the shell egg equivalent of 33.7 million dozen in January, 26.0 percent higher than in the previous year. The gains were primarily due to a large increase in exports to Mexico. Shipments to Mexico were 91.9 percent higher in January compared with a year earlier. The gains to Mexico represent 95.2 percent of the total January increase. Egg exports in 2015 are now expected to total 420 million dozen, or just over 6 percent higher than in 2014. The increase is due to consistent growth in Canada and Mexico. As with other U.S. export products, the strength of the U.S. dollar is expected to slightly hamper growth.



**U.S. Egg and Egg Product Exports Jan 2014 - Jan 2015**

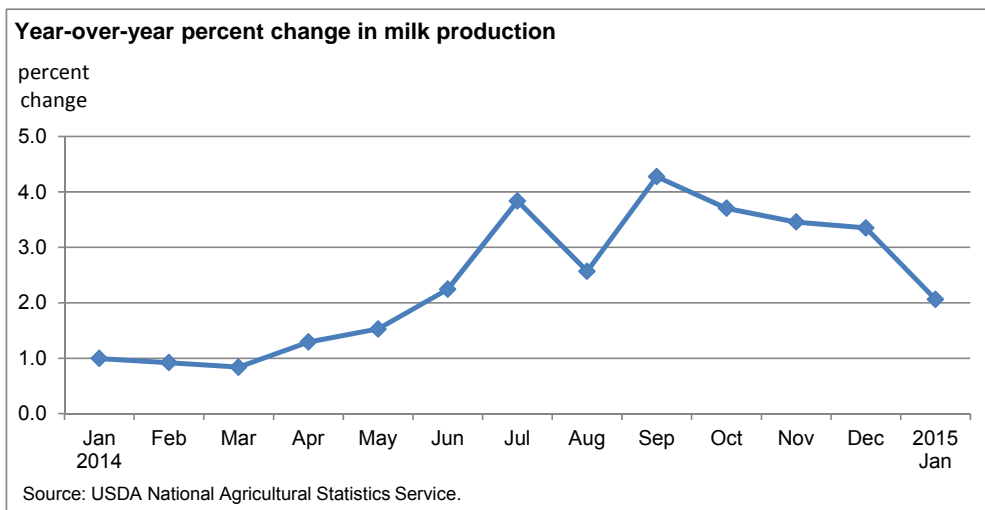


## Recent Developments in Dairy Markets

In January, U.S. milk production was 17.6 billion pounds, 2.1 percent higher than in January 2014. This growth was substantially lower than the December year-over-year growth rate of 3.4 percent and much lower than the peak growth rate of 4.3 percent in September. Slower milk production growth was the result of slower year-over-year growth in output per cow, which fell from 2.3 percent in December to 1.0 percent in January. The year-over-year growth rate in milk cow numbers was 1.0 percent in both December and January.

Contributing factors for lower yields include declining milk prices relative to feed prices and the ongoing drought in California<sup>1</sup> and other western areas of the country. Although feed prices have generally declined since the second quarter of 2014, milk prices have declined proportionally more since September, resulting in a decrease in the milk-feed ratio from 2.97 in September to 2.09 in January. As the drought in western areas persisted, California milk production fell in January by 2.6 percent from the January 2014 level, and New Mexico milk production fell by 1.9 percent. Even with USDA's assumption of a return of normal weather, low snowpack levels from the Cascades southward into the Sierra Nevada are a concern for water supplies in California and other western areas in coming months.

U.S. exports fell substantially in January for a wide range of dairy products, including whey products, cheese, and butterfat products. Nonfat dry milk (NDM) exports increased from December to January; however, this was after a significant reduction last month. The labor dispute involving West Coast ports reportedly had an impact, although the extent is unclear. The dispute has been resolved at this point, and Dairy Market News<sup>2</sup> reports that some manufacturers are resuming the use of West Coast ports for exports to Asian markets. In addition, a stronger U.S. dollar is likely making U.S. goods less competitive in world markets.



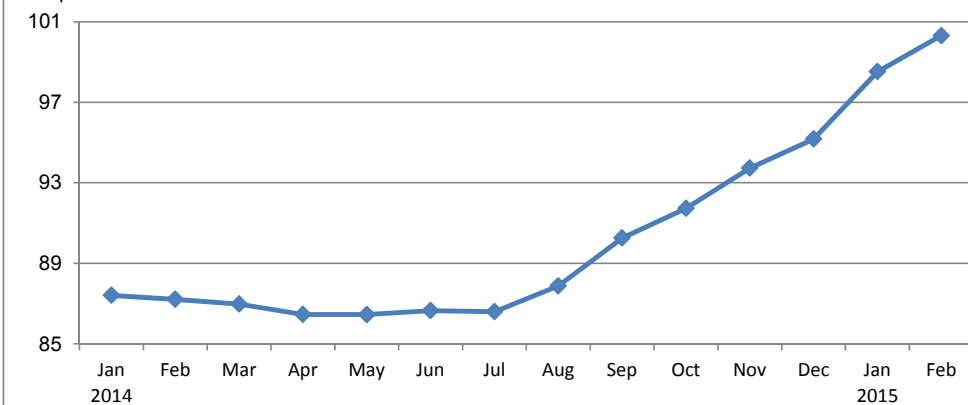
<sup>1</sup> California is the State with the highest milk production, accounting for about 20 percent of total U.S. milk production.

<sup>2</sup> Dairy Market News is published by USDA Agricultural Marketing Service.



### Price-adjusted major currencies dollar index

Index of currency  
units per U.S. dollar



Source: Board of Governors of the Federal Reserve System.

Price directions of major dairy commodities, as reported in the USDA National Dairy Products Sales Report, were mixed during February. From the week ending January 31 to the week ending February 28, prices of butter and NDM increased from \$1.564 to \$1.707 and \$0.971 to \$1.058 per pound, respectively. Cheddar cheese prices were relatively stable, with 40-pound blocks decreasing from \$1.558 to \$1.553 per pound and 500-pound barrels (adjusted to 38 percent moisture) increasing from \$1.512 to \$1.526 per pound. The dry whey price fell from 57.9 cents to 48.8 cents per pound.

### *Dairy Forecasts for 2015*

Feed price forecasts remain conducive to expansion of the milk supply, with the corn price forecast for 2014/15 at \$3.50-\$3.90 per bushel and the soybean meal price forecast at \$350-\$390 per short ton. With January's deceleration in the growth rate of milk per cow and the lingering effects of the drought in California and other western areas, the 2015 milk per cow forecast has been reduced to 22,640 pounds per year, 50 pounds less than forecast last month. Given the January increase in milk cow numbers, the 2015 milk cow forecast is increased in the first half of the year, resulting in an annual forecast of 9,325 thousand head, 5 thousand more than forecast last month. Milk production for 2015 is forecast at 211.1 billion pounds, 2.5 percent higher than the 2014 level of 206.0 billion pounds, but 0.4 billion pounds less than forecast last month.

Given the substantial fall in January exports of dairy products and expectations of strong competition, commercial exports have been reduced from last month's forecast to 10.8 billion pounds on a milk-fat milk-equivalent basis (0.3 billion pounds less) and 37.3 billion pounds on a skim-solids milk-equivalent basis (0.7 billion pounds less). With Russia's ban on dairy products from certain countries scheduled to end in August, exports in the second half of the year are expected to exceed those of the first half.<sup>3</sup>

<sup>3</sup> On August 6, 2014, Russian President Vladimir Putin signed an executive order banning imports of beef, pork, poultry, fruits, vegetables, fish, seafood, cheese, milk, and a variety of other products from the United States, European Union, Canada, Australia, and Norway.

Strength in domestic demand is expected to support increased use of dairy products. On a milk-fat basis, domestic commercial disappearance is forecast at 203.1 billion pounds, 3.1 percent higher than the 2014 level. On a skim-solids basis, domestic commercial disappearance is forecast at 178.4 billion pounds, 4.9 percent higher than the 2014 level.

With a lower milk production forecast, stronger expected domestic use, and price increases that occurred for butter and NDM in February, the 2015 forecast prices for butter and NDM have been increased. However, the price forecasts have been tempered by expected export reductions. The 2015 butter price is forecast at \$1.670-\$1.760 per pound, and the NDM price is forecast at \$1.205-\$1.255 per pound. Although the first-quarter cheese price forecast has been raised slightly due to recent price data, the 2015 annual forecast range is unchanged at the midpoint but narrowed to \$1.600-\$1.660 per pound. With substantially lower exports of whey products in January and falling dry whey prices observed in February, the dry whey price forecast for 2015 is lowered to 49.0-52.0 cents per pound.

With the lower whey price forecast for 2015, the Class III milk price forecast has been lowered to \$15.95-\$16.55 per cwt. With higher forecasts for butter and NDM prices, the Class IV milk price forecast has been raised to \$15.30-\$16.00 per cwt. The reduction in the Class III forecast more than offsets the increase in the Class IV price forecast, resulting in a 2015 all-milk price forecast of \$17.05-\$17.65 per cwt, a decrease from last month's forecast of \$17.40-\$18.10 per cwt.

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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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## Dairy Forecasts

	2013	2014					2015				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,221	9,216	9,253	9,270	9,287	9,256	9,315	9,325	9,325	9,330	9,325
Milk per cow (pounds)	21,823	5,536	5,717	5,520	5,487	22,260	5,620	5,815	5,605	5,600	22,640
<b>Milk production (bil. pounds)</b>	<b>201.2</b>	<b>51.0</b>	<b>52.9</b>	<b>51.2</b>	<b>51.0</b>	<b>206.0</b>	<b>52.4</b>	<b>54.2</b>	<b>52.3</b>	<b>52.2</b>	<b>211.1</b>
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	200.3	50.8	52.7	50.9	50.7	205.1	52.1	54.0	52.0	52.0	210.1
<b>Milk fat (bil. pounds milk equiv.)</b>											
Milk marketings	200.3	50.8	52.7	50.9	50.7	205.1	52.1	54.0	52.0	52.0	210.1
Beginning commercial stocks	12.2	11.2	13.0	13.5	12.2	11.2	11.2	14.3	15.3	13.2	11.2
Imports	3.7	0.8	0.8	1.1	1.5	4.3	1.1	1.0	0.9	1.2	4.1
Total supply	216.2	62.8	66.5	65.6	64.5	220.5	64.4	69.2	68.2	66.4	225.5
Commercial exports	12.4	3.9	3.5	2.8	2.3	12.5	2.3	2.6	3.0	2.9	10.8
Ending commercial stocks	11.2	13.0	13.5	12.2	11.2	11.2	14.3	15.3	13.2	11.5	11.5
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	45.9	49.4	50.6	51.0	196.9	47.8	51.3	52.0	52.0	203.1
<b>Skim solids (bil. pounds milk equiv.)</b>											
Milk marketings	200.3	50.8	52.7	50.9	50.7	205.1	52.1	54.0	52.0	52.0	210.1
Beginning commercial stocks	12.4	11.6	12.7	13.3	12.4	11.6	13.1	14.5	15.8	13.3	13.1
Imports	5.3	1.4	1.2	1.5	1.5	5.6	1.3	1.3	1.4	1.5	5.5
Total supply	217.9	63.8	66.6	65.7	64.6	222.3	66.6	69.8	69.2	66.8	228.7
Commercial exports	38.5	9.8	11.0	9.3	9.1	39.2	8.2	9.2	10.1	9.8	37.3
Ending commercial stocks	11.6	12.7	13.3	12.4	13.1	13.1	14.5	15.8	13.3	13.0	13.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	167.7	41.3	42.3	44.0	42.3	170.0	43.8	44.8	45.7	44.0	178.4
<b>Milk prices (dol./cwt) 1/</b>											
All milk	20.05	24.53	24.23	24.37	22.77	23.98	16.80	16.00	17.05	18.30	17.05
							-17.00	-16.50	-17.85	-19.30	-17.65
Class III	17.99	22.61	22.75	22.82	21.19	22.34	15.55	15.30	16.10	16.80	15.95
							-15.75	-15.80	-16.90	-17.80	-16.55
Class IV	19.05	23.14	23.04	23.42	18.75	22.09	13.60	14.50	16.00	17.05	15.30
							-13.90	-15.10	-16.90	-18.15	-16.00
<b>Product prices (dol./pound) 2/</b>											
Cheddar cheese	1.768	2.213	2.187	2.168	2.053	2.155	1.550	1.550	1.620	1.680	1.600
							-1.570	-1.600	-1.700	-1.780	-1.660
Dry whey	0.590	0.630	0.677	0.683	0.625	0.654	0.515	0.460	0.485	0.505	0.490
							-0.535	-0.490	-0.515	-0.535	-0.520
Butter	1.545	1.779	2.053	2.574	2.140	2.136	1.640	1.680	1.715	1.635	1.670
							-1.680	-1.760	-1.825	-1.765	-1.760
Nonfat dry milk	1.707	2.067	1.920	1.707	1.379	1.768	1.025	1.105	1.260	1.425	1.205
							-1.045	-1.145	-1.320	-1.495	-1.255

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.

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