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# Livestock, Dairy, and Poultry Outlook

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## Rains Improve Southern Plains Short-Term Forage Conditions

**Beef/Cattle:** Recent precipitation in much of cattle country is providing positive short-term impacts for forage conditions. More steers and fewer heifers and cows in the slaughter mix will likely result in heavier dressed weights, partially offsetting the impact that overall declining slaughter numbers will have on beef production.

**Beef/Cattle Trade:** U.S. beef exports continue to struggle in 2015 as a result of high domestic beef prices and a strong U.S. dollar. In aggregate, USDA is forecasting 2015 exports to reach 2.461 billion pounds, down 4 percent from 2014. Modest improvements are forecast for Calendar Year (CY) 2016, with USDA projecting total beef exports at 2.510 billion pounds. USDA has raised total annual beef imports from 2.910 billion pounds to 3.116 billion pounds for CY 2015; however, total beef imports are expected to decline by approximately 9 percent in 2016 to 2.820 billion pounds.

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Tables will be released on May 29, 2015

The next newsletter release is June 16, 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:** Commercial U.S. pork production in 2016 is expected to be about 1 percent higher than in 2015. Hog prices for 2016 will reflect larger supplies, averaging \$44-\$48 per cwt, 5.4 percent below prices this year. Larger pork supplies and the lower prices that result should help to partially offset the effects of the higher U.S. dollar exchange rate, leading to a 5.3 percent increase in 2016 U.S. pork exports.

**Poultry:** Broiler meat production totaled 9.7 billion pounds in the first quarter of 2015, 4.6 percent higher than in the same period in 2014, based on increases in the number of birds slaughtered and their average liveweight. Broiler cold storage holdings at the end of March totaled 720 million pounds, up 27.6 percent from the previous year, due mainly to rising leg quarter holdings. U.S. turkey meat production in first-quarter 2015 totaled 1.429 billion pounds, 7.2 percent higher than a year earlier. Table egg production totaled 1.788 billion dozen in the first quarter, 1.0 percent more than a year earlier.

**Poultry Trade:** Turkey and broiler shipments in March were down from a year ago, while egg and egg product shipments were up compared with a year earlier. Broiler shipments totaled 603 million pounds in March 2015, a decrease of 4.1 percent from a year earlier, but higher than previously expected. Turkey shipments decreased 11.0 percent from a year ago, totaling 54.2 million pounds, while egg and egg product exports totaled 34.0 million dozen in March 2015, a 21.2-percent increase from the previous March.

**Dairy:** Milk production for 2015 is forecast at 208.6 billion pounds, 1.3 percent higher than the 2014 level of 206.0 billion pounds, but 1.4 billion pounds less than forecast last month. The all-milk price for 2015 is forecast at \$17.10-\$17.60 per cwt. Milk production for 2016 is forecast to increase to 213.6 billion pounds, and the 2016 all-milk price is forecast at \$17.45 to \$18.45 per cwt.

### *Rains Improve Southern Plains Prospects*

As of May 5, 2015, the *U.S. Drought Monitor* continues to report exceptional drought conditions for California, parts of the Texas panhandle, and western Oklahoma (<http://droughtmonitor.unl.edu/>). However, recent precipitation in much of cattle country has at least provided positive short-term impacts for forage conditions—for example, Texas has experienced slightly more rainfall than its 30-year average (USDA ARS, <http://www.ars.usda.gov/Research/docs.htm?docid=14130>). While the rains are beneficial and are greening pastures, they are not yet enough to alleviate drought impacts on subsoil moisture.

First-quarter commercial cow slaughter was 6 percent below year-earlier slaughter, reflecting the low inventories and the desire to hang on to cows that have or will have calves in 2015. While commercial beef cow slaughter has been lower year-over-year and declining seasonally, dairy cow slaughter, although still above 2014, has been declining seasonally. The combination of fewer cows and heifers in the slaughter mix will result in a higher proportion of steers, which will contribute to heavier average dressed weights of all cattle. Veal production continues to decline at an accelerated pace due to the high value that calves have as feeder cattle instead of as veal. March 2015 commercial veal production was 6.9 million lbs., 21 percent below March 2014's 8.7 million lbs.

Feeder cattle that were retained to graze-out wheat pasture have moved off wheat and to market, some at impressive weights. Average monthly estimated placement weights in March 2015 were the heaviest March weights since 2003 and reflect the improved pasture and forage conditions.

According to the April 2015 *Cattle on Feed* report, U.S. feedlots with 1,000-plus capacity totaled 10.8 million head on April 1, 2015, up slightly from April 2014. *Cattle on Feed* listed April 1 steers on feed at 5 percent above steers on feed in April 2014. There were approximately 10 percent fewer heifers in feedlots on April 1 than in April 2014—indicating continued interest in heifer retention to support herd expansion. On a year-over-year basis, average placement weights have been higher since August 2014. With more steers than heifers entering the feedlot, it is expected that weights will continue to increase. Placements were up in March 2015 compared with March 2014, with cattle of 800-plus-lbs. the largest category. At the same time, marketings of fed cattle in March 2015 were the lowest March marketings since the series began in 1996.

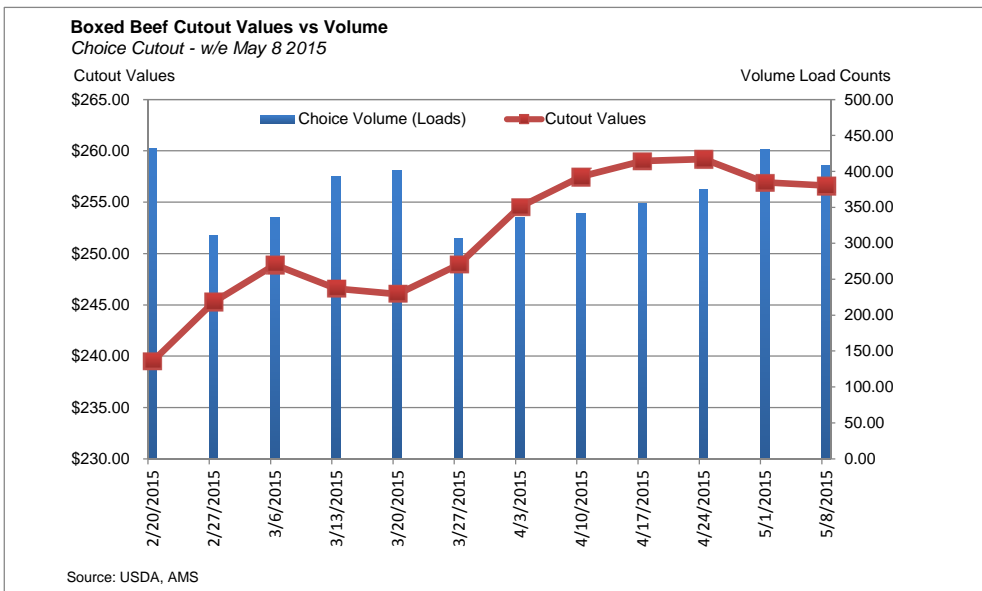
The proportionally large numbers of heavy cattle being sold at auction may have implications for steer and heifer slaughter later this summer and fall. This scenario is complicated by the possibility that the current constrained steer and heifer slaughter could persist for the rest of the year. Heavy slaughter weights—which would also likely consist of steers rather than heifers—would mitigate to some degree the impact of reduced slaughter on total beef production. Currently, weekly year-to-date federally inspected (FI) slaughter is running just over 7 percent below year-earlier slaughter, but beef production is only 5 percent below year-earlier levels; average weekly dressed weights of all FI cattle in April 2015 were nearly 3 percent (almost 23 pounds per carcass) above April 2014's weight. Further,

weights have not yet shown their typical seasonal decline to a May low before again increasing.

**Wholesale Beef Prices Decline Due to Moderate Supply Pressure**

The upward trajectory in wholesale beef prices is beginning to slow as we transition into the spring quarter. The choice cutout has declined a little over \$3/cwt after topping \$259/cwt in late April. At this juncture, it appears that domestic demand has weakened modestly in the near term (although remaining strong by historical standards). For the week ending May 8, 2015, the choice cutout value was priced 13 percent higher than the previous year and 24 percent above the 3-year average.

It is also important to consider the supply-side implications of current market dynamics. On a year-over-year basis, weekly cattle slaughter remains lower than 2014; however, in the short term, weekly kills have expanded from unusually tight levels in late March and early April. Packer margins have improved, providing an incentive to slaughter more animals even though live cattle prices remain relatively high. Increasing weekly kill numbers—in conjunction with historically heavy dressed weights— has led to the decline in wholesale beef prices. On the other hand, in the midst of tumbling prices, AMS marketing data reports that weekly load counts have been increasing since early March (see figure below).



### *Beef Imports Skyrocket in March, Exports Remain Sluggish*

USDA reported March beef and veal imports at 325.1 million pounds, up 71 million pounds relative to the previous month (February 2015) and 33.3 percent larger than the previous year. Imports from Australia, New Zealand, Mexico, and Canada remain robust. Australia continues to be plagued by severe drought conditions that have led to ongoing liquidation through the first quarter of 2015. The relative strength of the U.S. dollar, in conjunction with strong demand for processing-grade beef, has helped boost total beef imports this year. First-quarter beef imports totaled 876 million pounds, up 47 percent above first-quarter 2014. USDA has raised total beef imports from 2.910 billion pounds to 3.116 billion pounds for Calendar Year 2015.

Exports, on the other hand, continue to languish as high domestic beef prices and the strength of the dollar remain problematic for U.S. beef exports. March exports were reported at 185.3 million pounds, moderately higher (+7.3 million pounds) than the previous month but 7 percent smaller than March 2014. While the stronger dollar and high beef prices continue to negatively impact beef exports to Mexico and Hong Kong, March beef shipments to Japan (+9 percent) and Canada (+12 percent) showed signs of moderate improvement relative to last year. In the aggregate, USDA is forecasting 2015 exports to reach 2.461 billion pounds, down 4 percent from 2014.

Live cattle imports were reported a little over 234 thousand head in March, about steady with the previous year but 20 percent higher than in February. Live imports from Canada were reported over 112,000 head, while shipments from Mexico surpassed 120,000 head. Noticeable declines in slaughter cattle and cow imports continue to impact overall live imports, but firm feeder cattle demand outweighed those declines in March. Live imports are off to a slow start. However, demand for live imports is expected to strengthen throughout the remainder of the calendar year as domestic cattle prices are expected to remain high, with cattle inventories constrained and cattlemen holding back heifers to rebuild the domestic cow herd.

### ***Larger Than Expected Hog Numbers Impact Second-Quarter Hog Prices***

USDA adjusted second-quarter estimated commercial hog slaughter to account for higher than expected weekly hog slaughter in April and early May. While typical seasonal patterns are expected to prevail in May and June, slaughter numbers will likely be higher than initially forecast. As a result of these adjustments, second-quarter commercial pork production is expected to be 5.8 billion pounds, about 100 million pounds greater than initially forecast and 5.8 percent higher than a year ago, when the effects of Porcine Epidemic Diarrhea (PEDv) were beginning to affect production. Second-quarter average prices of live equivalent 51-52 percent lean hogs will reflect larger hog supplies. Prices are expected to average \$49-\$51 per cwt, 42 percent below a year ago. On the positive side for hog producers, PEDv appears to be largely absent as a production factor so far this year, and moderate feed costs will likely continue to take some of the sting out of lower hog prices. For packers, the start of grilling season, high beef prices, and prospects of a somewhat improved export prospects make for a more positive outlook following a recent spate of low wholesale pork prices.

### ***2015 Hog Industry Expansion Expected To Drive Pork Production Higher Next Year***

Expansion of U.S. breeding inventories in 2015, largely in response to extraordinary PEDv-driven producer returns in 2014, are expected to result in larger 2016 pork supplies and lower hog prices. On the other hand, greater pork supplies will likely pressure pork product prices lower, which, in turn, is expected to benefit domestic consumers and to bulk-up U.S. pork export volumes.

Industry expansion should lift 2016 farrowings modestly above levels in 2015. New technologies, genetic improvements, and better herd management are expected to raise 2016 litter rates closer to historical trends. The resulting higher pig crops, along with average dressed weights roughly the same as this year, should lead to about 1 percent more pork production in 2016—or 24.7 billion pounds versus 24.4 billion pounds this year.

Larger hog supplies are expected to result in lower hog prices. Average prices of first-quarter live equivalent 51-52 percent lean hogs are expected to be \$45-\$49 per cwt, about 3 percent below prices in the first quarter of 2015. For 2016, hog prices are expected to average between \$44-\$48 per cwt, about 5.4 percent below prices this year.

Larger pork supplies next year and the lower prices that accompany them are expected to add impetus to U.S. pork exports. While the appreciated U.S. dollar will likely continue to function as a tax on exported U.S. goods, lower pork prices may offset some of the drag that the expensive U.S. dollar creates. Exports in 2016 are expected to be 5.125 billion pounds, 5.3 percent greater than the forecast for this year. This export quantity implies that 20.7 percent of U.S. commercial pork production is exported. Larger domestic pork supplies are expected to reduce U.S. import demand next year. In 2016, U.S. pork imports will likely total just over 1 billion pounds, 13.4 percent below imports this year.

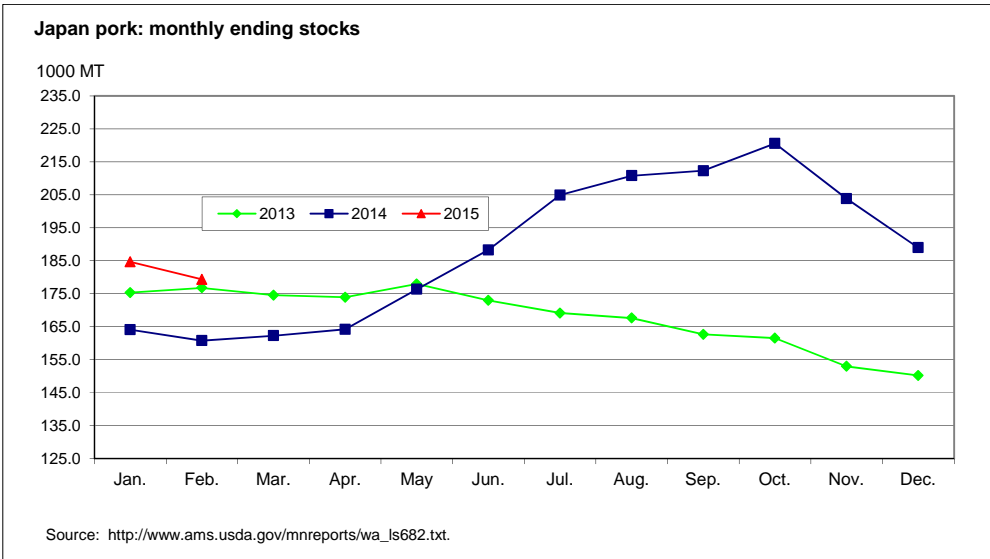
After accounting for production, trade and stocks, 2016 per capita pork disappearance—the per person quantity of pork available in domestic markets—is expected to be slightly below per capita pork quantities this year: 49.5 pounds in 2016 compared with 50 pounds this year. Consumers will likely pay a little less for pork at retail in 2016: about \$3.70 per pound compared with \$3.87 per pound in 2015, a decline of nearly 4 percent. Lower per capita availability, accompanied by lower retail prices, implies that pork demand next year will range from somewhat lower to stable.

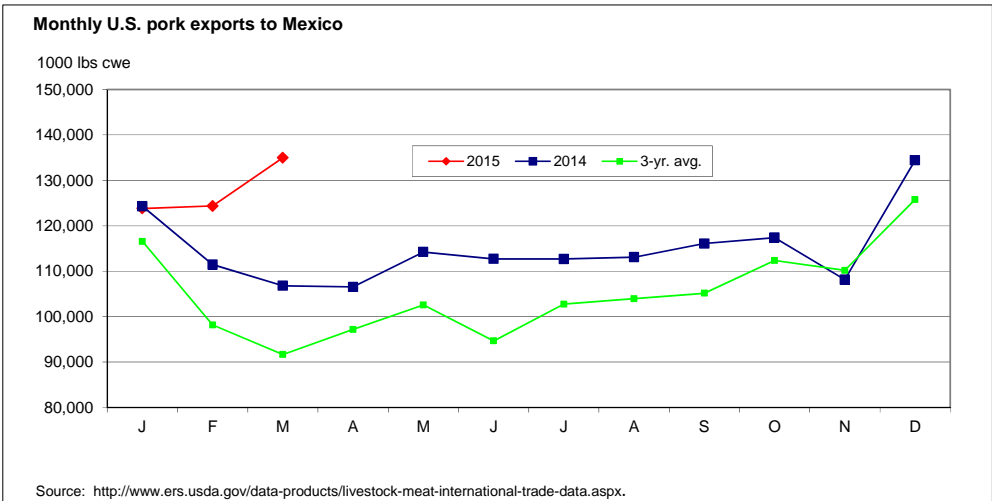
**March Exports Year-Over-Year Lower for Ninth Consecutive Month**

U.S. pork exports were 440 million pounds in March, almost 9 percent below a year ago. Lower exports were largely due to generally lower exports to Asia, including 19 percent year-over-year lower shipments to Japan. March was the 10th consecutive month in which Japan was supplanted by Mexico as the largest foreign destination for U.S. pork. Likely explanations include Japan’s accumulation of stocks last year as a precaution against PEDv-reduced international pork supplies. Pork stock levels in Japan (figure below), still relatively large, could be a reason for lower Japanese pork imports. Japan Ministry of Finance data indicate that 2015 total pork imports from all sources, through March, are more than 10 percent lower than a year ago.

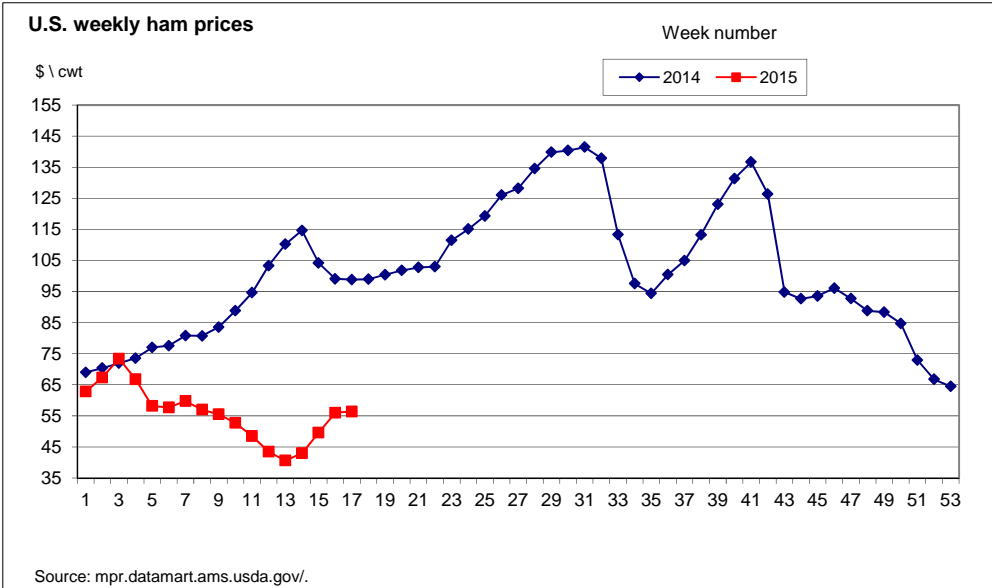
It is possible that Japanese pork imports will accelerate after more historic levels of pork stocks are achieved. But the relatively high value of the U.S. dollar will likely continue to hamper U.S. pork exports to Asia, where American pork competes with products denominated in lower valued currencies, particularly pork from Canada and Europe.

It is notable that so far in 2015, U.S. exports to Mexico have continued to climb despite the depreciated value of the Mexican peso against the U.S. dollar (see figures below).





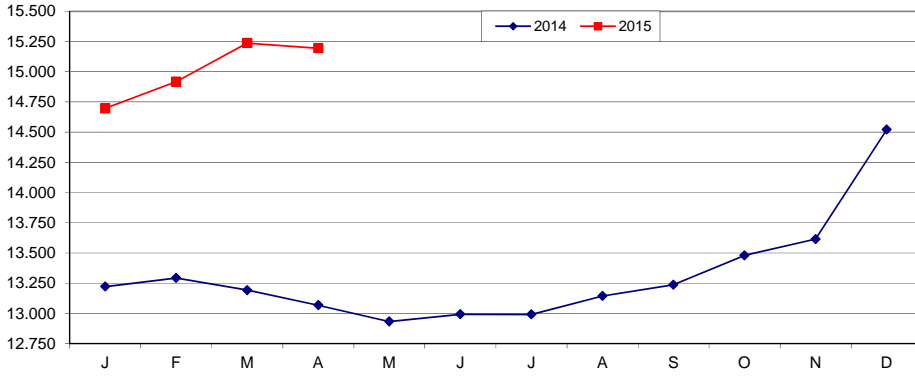
A possible explanation for robust flows of U.S. pork to Mexico is the relatively low year-over-year prices of U.S. hams thus far in 2015. In turn, the recent declines in U.S. ham prices may be linked to the reduced purchasing power of the Mexican peso. A significant component of U.S. pork shipments to Mexico are fresh bone-in hams. The low value of the peso versus the dollar may have tempered Mexican demand for these hams until ham prices declined enough to offset exchange-rate effects and keep U.S. pork products flowing to Mexico.





Monthly exchange rate: Pesos/U.S. dollar

Pesos / US\$



Source: <http://www.federalreserve.gov/releases/H10/Summary/>.

### ***March Broiler Production Up 9 Percent***

Broiler meat production in March came in 9.1 percent higher than a year earlier at 3.4 billion pounds. The gains were boosted by an additional slaughter day compared with a year earlier, but the increase reflects growth in the number of birds slaughtered per day and increased liveweights. The number of birds slaughtered in March was 7.4 percent greater than a year earlier, and average liveweights were 1.5 percent greater. This pattern of moderate increases in birds slaughtered and higher liveweights is expected to continue throughout most of 2015. The increases are expected to push forecast broiler meat production in 2015 to 40.2 billion pounds, about 4 percent higher than in 2014.

At the end of March, cold storage holdings totaled 720 million pounds, 27.6 percent higher than the previous year. The increase in holdings is largely due to increases in leg quarter holdings and breast meat. Leg quarter holdings were 77.1 percent higher at the end of March than in the previous year, and breast meat holdings were 34.5 percent higher. The rise in leg quarter holdings was expected because they are a key component of broiler exports, which have been lower as a result of Highly Pathogenic Avian Influenza (HPAI)-related trade restrictions. Cold storage holdings at the end of second-quarter 2015 are expected to reach 750 million pounds, driven by continued buildup of leg quarter stocks.

Weekly estimates in the NASS Broiler Hatchery Report continue to point toward gains in broilers produced for slaughter over the same period a year earlier. Over the 5 weeks ending May 2, eggs set in incubators averaged 209 million, 2.3 percent higher than the previous year. During this same period, the number of chicks placed for growout averaged 3.0 percent higher than in the previous year. This indicates that broiler meat production is likely to have more birds available for slaughter in most of the second quarter, in addition to expected higher liveweights.

The national wholesale price for whole birds averaged \$1.05 per pound in April, up from the first-quarter average of \$0.97 per pound but still down 4.8 percent compared with a year earlier. In the parts market, dark meat prices continued to decline due to lower exports. The April average price for leg quarters in the northeastern market totaled \$0.33, the lowest monthly price since 2009. Breast meat prices in the northeastern market averaged \$1.53 per pound in April, a 13-cent increase from March but still 10.6 percent lower than in April 2014.

### ***Turkey Production Up in First Quarter of 2015***

U.S. turkey meat production in first-quarter 2015 totaled 1.429 billion pounds, 7.3 percent higher than a year earlier. The production forecast for the second and third quarters of 2015 were reduced by 25 million pounds each, due largely to concerns that birds lost from HPAI outbreaks in turkey flocks in Minnesota and other States would limit production growth. During March, turkey meat production totaled 501.9 million pounds, 9.8 percent higher than in the same period in 2014. Boosted by an extra slaughter day in March, turkey slaughter rose by 9.1 percent; and average live bird weights were 31.2 pounds, 0.3 percent higher than during the same period in 2014.

The reductions for the second and third quarters are based on estimates of almost 6 million turkeys affected by HPAI outbreaks as of early May. The reductions were limited to 25 million pounds due to strong production growth in the first 3 months of 2015, along with continued signs of expansion in turkey eggs set in incubators and in the number of poults placed for growout. The total production forecast for 2015 now stands at 5.979 billion pounds, 3.9 percent higher than in 2014.

During April 2015, prices for whole hen turkeys averaged \$1.04 per pound, 0.5 percent above the previous year. With production forecast higher in 2015, prices for whole birds and turkey parts are expected to experience some downward pressure for the remainder of 2015. Prices for whole frozen hens are forecast below year-earlier levels throughout 2015. The average national price for frozen whole hens in second-quarter 2015 is forecast at \$1.03-\$1.07 per pound, about 5 cents below a year earlier, with the yearly price forecast at \$1.04-\$1.08 per pound, likely to be down from 2014's \$1.08 per pound.

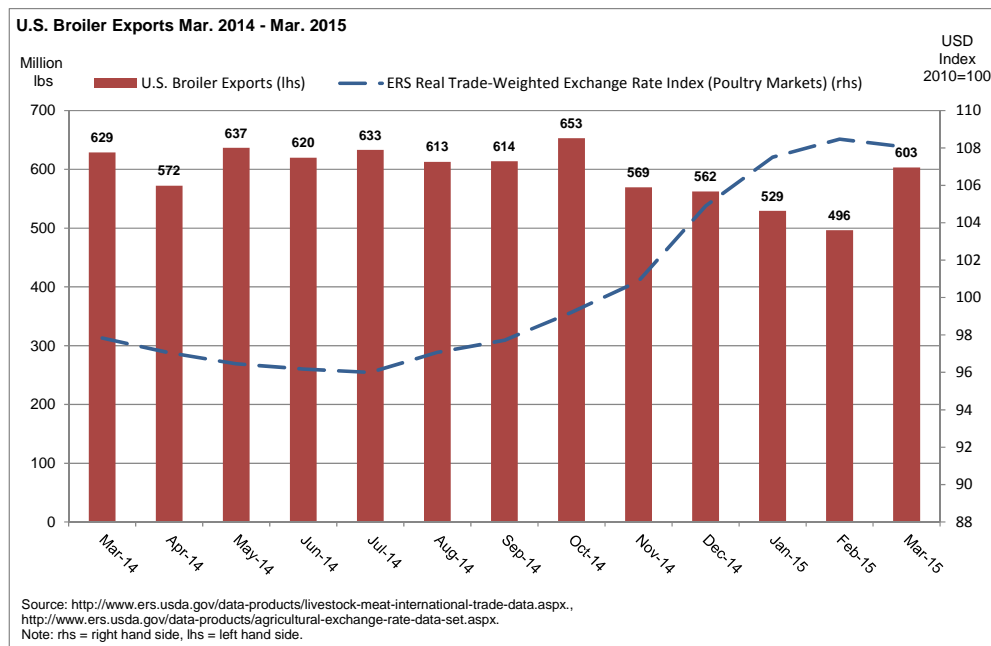
### ***Table and Hatching Egg Production Higher***

Table egg production in March totaled 618 million dozen, 0.9 percent higher than a year earlier. The forecast for table egg production for 2015 was lowered to 7.2 billion dozen, a decline of 0.7 percent from 2014 and a decrease of 87 million dozen compared with last month's forecast. The decline is due to reports of HPAI outbreaks in several commercial table-egg laying flocks, primarily in Iowa. The number of chickens affected by HPAI through early May was 26.8 million, with a majority likely being egg-layers. Favorable returns from low feed costs and moderate prices should lessen the impact of birds lost to HPAI, as producers have strong incentives to continue expanding production into 2016. The wholesale price for one dozen large eggs in the New York region averaged \$1.22 in April 2015, 14 percent lower than in April 2014. The forecast for 2015 stands at \$1.30 to \$1.36 per dozen, about 7 percent lower than in 2014.

Hatching egg production totaled 270 million dozen in first-quarter 2015, about 3 percent higher than in 2014. Over the first 3 months of 2015, the size of the hatching flock has averaged 2.3 percent higher, at 57.5 million birds. Hatching egg production is forecast higher than the previous year throughout 2015, driven primarily by increased production of meat-type eggs for the broiler market. Total production of hatching eggs in 2015 is forecast at 1.1 billion dozen, 4 percent higher than in 2014.

## Poultry Trade

### *U.S. broiler shipments down slightly in March compared to a year earlier*

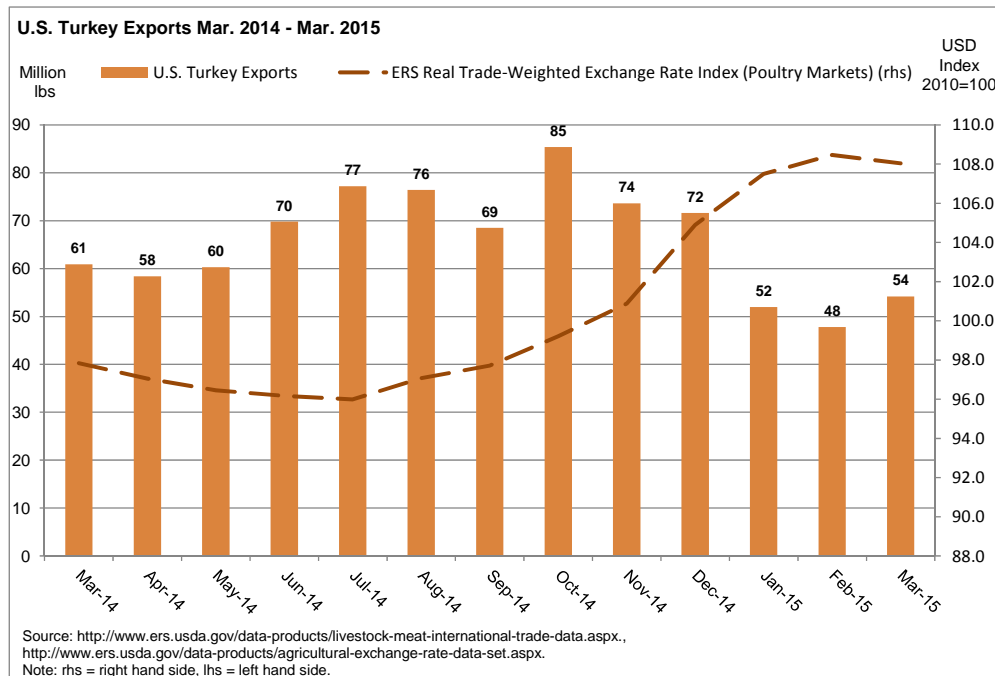


Broiler shipments in March 2015 were down 4.1 percent from March of last year, but the 603 million pounds of shipments were far higher than had been expected given HPAI-related national and regionalized trade bans and a stronger dollar. January and February broiler trade had been down by 12.4 and 17 percent, respectively, due to national bans imposed by China, South Korea, and Russia in addition to regionalized bans imposed by a majority of markets. However, declining dark meat prices, particularly leg quarters, likely led to greater substitution into other markets as low prices lessened the impact of a stronger currency.

The largest gains in shipments were in Asian markets as Taiwan (+186 percent), Hong Kong (+58 percent), and Vietnam (+115 percent) all received significantly more broiler meat than in the previous year. Mexico and Canada were also stronger in March. Shipments to Mexico totaled 133.3 million pounds, an increase of 13.8 percent, while shipments to Canada increased by 25.9 percent to 31.1 million pounds. While still down from a year ago, shipments to Angola returned from near historical lows in February. March 2015 shipments to Angola totaled 31.3 million pounds, more than 25 million pounds greater than last month.

Broiler exports in 2014 were 7.304 billion pounds, and USDA forecasts 6.804 billion pounds of broiler exports for 2015, a decrease of 6.8 percent over 2014. 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. The dollar's high exchange rate is expected to make it more difficult to compete with other exporters and has contributed to lower substitution to other markets than was expected following the HPAI-related bans on U.S. poultry.

## Turkey Exports Decrease in March



In March, turkey exports totaled 54.2 million pounds, 11.0 percent lower than the previous March. The decrease was due in part to the continuing effects of China’s ban on U.S. poultry exports. The ban resulted in a decline of 3.3 million fewer pounds shipped to China than a year earlier, as exports in 2015 were zero. Mexico remained the largest market for U.S. turkey shipments, with 32.5 million pounds shipped in March but 15.8 percent below a year earlier. The decline was likely due to the strength of the U.S. dollar, which has appreciated significantly relative to the Mexican Peso since December.

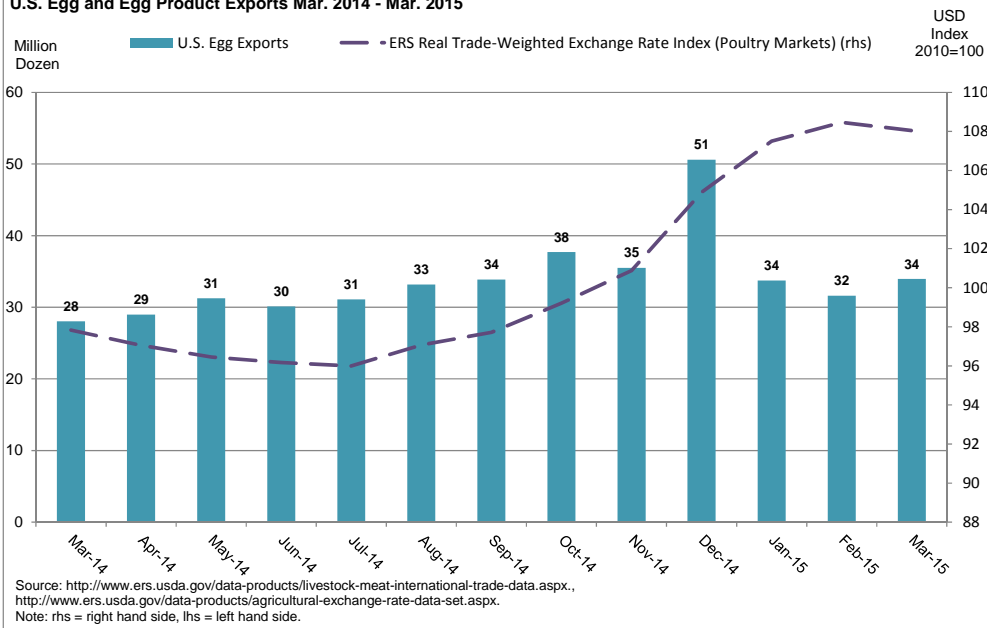
Turkey exports in 2015 are expected to fall to 724 million pounds, a decline of 10.0 percent. The decline is due to Avian Influenza trade restrictions in China and Korea and partial bans from other countries, as well as the strength of the dollar against most currencies.

## Egg Exports Up in March, Expected Higher in 2015

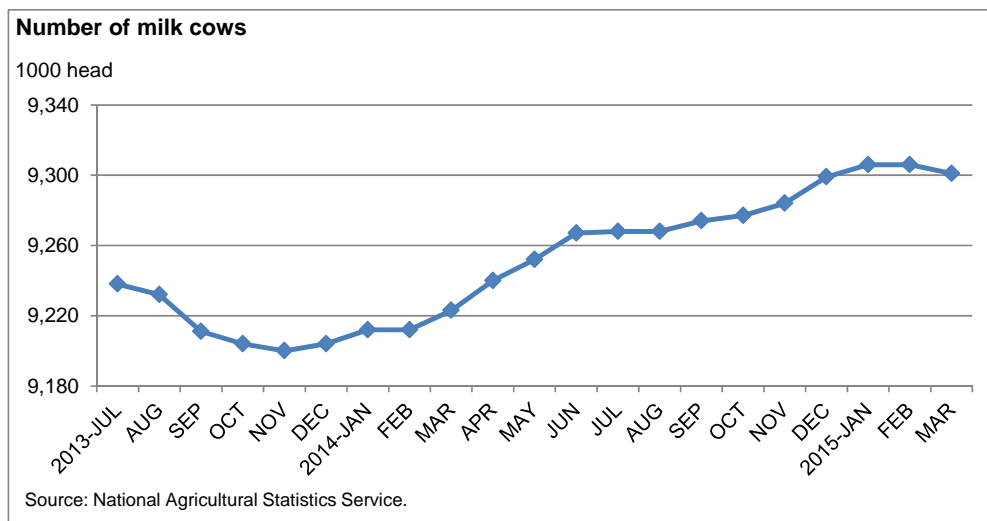
Total egg exports (shell eggs and egg products) reached the shell egg equivalent of 34.0 million dozen in March, 21.2 percent higher than the previous year. The gains were primarily due to a large increase in exports to Mexico and Canada. Shipments to Mexico were 61.3 percent higher in March than a year earlier, totaling 10.7 million dozen. Shipments to Canada were 35.7 percent greater than a year earlier, at 9.9 million dozen.

In April, reported outbreaks of HPAI among table-egg laying flocks located primarily in Iowa led to new regionalized trade bans from key markets. As a result, the forecast of egg exports in 2015 was reduced. Exports are expected to total 389 million dozen, or 1.5 percent lower than in 2014.

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



## Recent Developments in Dairy Markets

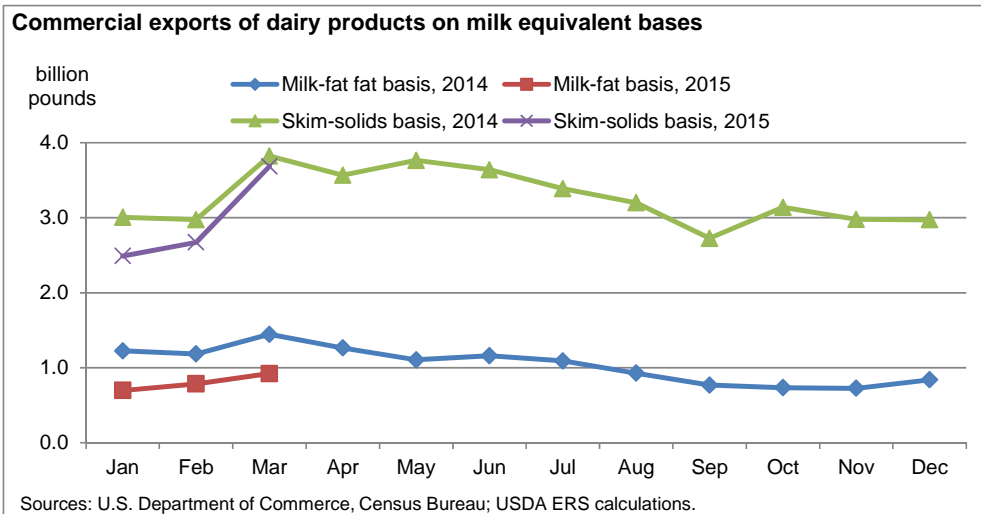


Milk production was lower than expected for the first quarter of 2015. Milk cow numbers were revised downward to 9.306 million head for both January and February. The March estimate of 9.301 million head represents the first month-over-month decline since November 2013. Notably, milk cow numbers in Texas fell by five thousand cows from February to March.<sup>1</sup> None of the other 23 States reported monthly by USDA National Agricultural Statistics Service had estimated monthly changes of more than one thousand cows in either direction. U.S. yield per cow was 1,941 pounds in March, only 0.4 percent above the previous-year level. Yield growth was limited by declines in several Western States.

Price directions of major dairy commodities, as reported in the USDA National Dairy Products Sales Report (NDPSR), were mixed in April. From the week ending April 4 to the week ending May 2, the price of nonfat dry milk (NDM) decreased from \$0.995 to \$0.950 per pound. The dry whey price was relatively steady, falling slightly from 46.8 cents to 46.5 cents over the period. The price of cheddar cheese 40-pound blocks increased from \$1.576 to \$1.605 per pound, and 500 pound barrels (adjusted to 38-percent moisture) increased from \$1.573 to \$1.666 per pound. The butter price increased from \$1.698 to \$1.805 per pound. More recently, the spot butter price reported by the Chicago Mercantile Exchange (which usually leads the NDPSR price) has increased substantially, averaging \$1.891 per pound for the week of May 4-8.

Dairy product allocation appears to have played a key role in recent price changes. In particular, March butter production was about 3.0 percent lower than the previous-year level, while in March combined NDM and skim milk powder (SMP) production was 4.0 percent above the previous year. Tight butter supplies contributed to higher butter prices, while higher NDM and SMP supplies contributed to lower NDM prices.

<sup>1</sup> According to the latest data from USDA National Agricultural Statistics Service Quick Stats, estimated milk cow numbers in Texas fell from 468,000 head in February to 463,000 head in March.



Dairy product exports in March were higher than expected, especially on a skim-solids milk-equivalent basis. Exports of NDM, lactose, and cheese accounted for most of the increase in exports over the previous month. Notably, U.S. exports of NDM to Mexico increased from 33.6 million pounds in February to 57.8 million pounds in March.

### ***Relatively Low Feed Price Forecasts***

Feed price forecasts for the 2014/15 marketing year<sup>2</sup> remain relatively low compared with prices in recent years. The corn price forecast for the 2014/15 marketing year is \$3.55-\$3.75 per bushel, and the soybean meal price forecast is \$365 per short ton. Feed prices for 2015/16 are expected to be lower: \$3.20-\$3.80 per bushel for corn and \$305-\$345 per short ton for soybean meal.

### ***Dairy Forecasts for 2015***

Although milk cow numbers declined in March, the dairy herd is forecast to grow in the second half of 2015 due to expectations of relatively low feed prices and rising milk prices. However, milk cow numbers for 2015 are expected to be lower than forecast last month, averaging 9.305 million head. With lower-than-expected yield per cow for the first quarter and the current drought situation in some Western areas, the 2015 milk per cow forecast has been lowered to 22,410 pounds. Milk production for 2015 is forecast at 208.6 billion pounds for 2015, 1.4 billion pounds less than forecast last month but 1.3 percent above 2014.

Based on March data, changes have been made to 2015 dairy trade forecasts, especially to exports on a skim-solids basis. Commercial export forecasts for 2015 have been increased from last month's forecasts, to 10.8 billion on a milk-fat basis (0.1 billion pounds more) and 37.8 billion pounds on a skim-solids basis (1.3 billion pounds more). With Russia's ban on imports of dairy products from certain countries scheduled to end in August, exports in the second half of the year are

<sup>2</sup> The marketing year begins September 1 for corn and October 1 for soybean meal.



expected to exceed those of the first half.<sup>3</sup> Forecast imports for 2015 have been raised from last month to 4.8 billion pounds on a milk-fat basis (0.4 billion more) and 5.7 billion pounds on a skim-solids basis (0.2 billion pounds more).

With lower milk production and higher export forecasts, 2015 forecasts for commercial use and ending stocks have been reduced. Domestic commercial disappearance forecasts have been reduced to 201.5 billion pounds on a milk-fat basis (1.0 billion pounds less) and 176.2 billion pounds on a skim-solids basis (2.0 billion pounds less). Forecast ending stocks for 2015 are 11.3 billion pounds on a milk-fat basis (0.1 billion pounds less) and 12.5 billion pounds on a skim-solids basis (0.4 billion pounds less).

Forecasts for 2015 dairy product prices were adjusted from last month's forecasts to reflect recent price and allocation changes, as well as expected changes in demand. Price forecasts for cheese, NDM, and whey have been lowered respectively to \$1.615-1.665, \$1.025-\$1.065, and 47.5-50.5 cents per pound. The butter price forecast has been raised to \$1.810-\$1.890 per pound. With lower cheese and whey prices, the Class III forecast has been lowered to \$16.05-\$16.55 per cwt. With the lower NDM price more than offsetting the higher butter price, the Class IV forecast has been lowered to \$14.35-\$14.95 per cwt. The all-milk price for 2015 is forecast at \$17.10-\$17.60 per cwt.

### ***Dairy Forecasts for 2016***

Changes in milk production usually lag changes in milk and feed prices. With 2015 margins expected to be conducive to expanding the milk supply, milk production in 2016 is projected to continue growing at a moderate rate. Milk cow numbers are forecast to average 9.335 million head in 2016, with milk per cow forecast at 22,880 pounds. Milk production is forecast at 213.6 billion pounds, a 2.1-percent increase over the 2015 forecast (adjusted for leap year).

Dairy exports are expected to grow in 2016 as demand from foreign buyers is expected to increase from 2015, but exports are not projected to reach the record highs set in 2014. Commercial exports for 2016 are forecast at 11.5 billion pounds on a milk-fat basis (an increase of 0.7 billion pounds) and 39.1 billion pounds on a skim-solids basis (an increase of 1.3 billion pounds).

Imports for 2016 are forecast to decrease from 2015 due to the expected increase in domestic milk production and greater competition from other countries for dairy products. Imports for 2016 are forecast at 4.3 billion pounds on a milk-fat basis (a decrease of 0.5 billion pounds) and 5.6 billion pounds on a skim-solids basis (a decrease of 0.1 billion pounds).

With an improving economy, demand is expected to increase significantly in 2016 compared with 2015 forecasts. Commercial disappearance is expected to grow to 205.0 billion pounds on a milk-fat basis (an increase of 3.5 billion pounds) and 178.8 billion pounds on a skim-solids basis (an increase of 2.6 billion pounds). Ending stocks of dairy products for 2016 are forecast to increase over 2015 levels to

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<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.

11.8 billion pounds on a milk-fat basis (an increase of 0.5 billion pounds) and to 12.9 billion pounds on a skim-solids basis (an increase of 0.4 billion pounds).

Prices for cheese, NDM, and whey in 2016 are expected to be above 2015 prices due to strengthening domestic and foreign demand. Since the NDM market is the most sensitive to exports, NDM prices are expected to increase more than the other dairy product prices. With higher prices providing an incentive for increased NDM production, butter prices are expected to fall as more milk fat is expected to be available for butter production. Prices for 2016 are forecast at \$1.610-\$1.710 for cheese, \$1.215-\$1.285 for NDM, 51.5-54.5 cents for dry whey, and \$1.725-\$1.855 for butter. The Class III price for 2016 is forecast at \$16.20-\$17.20 per cwt, and the Class IV price is forecast at \$15.60-\$16.70 per cwt. The all-milk price for 2016 is forecast at \$17.45-\$18.45 per cwt.

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Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx>, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

## Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>  
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>  
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>  
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## Dairy Forecasts

	2014				2015					2016	
	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,253	9,270	9,287	9,256	9,304	9,300	9,310	9,315	9,305	9,325	9,335
Milk per cow (pounds)	5,717	5,520	5,487	22,260	5,579	5,750	5,535	5,545	22,410	5,690	22,880
<b>Milk production (bil. pounds)</b>	52.9	51.2	51.0	206.0	51.9	53.5	51.5	51.7	208.6	53.1	213.6
Farm use	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	1.0
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.2	51.3	51.4	207.6	52.8	212.6
<b>Milk fat (bil. pounds milk equiv.)</b>											
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.2	51.3	51.4	207.6	52.8	212.6
Beginning commercial stocks	13.0	13.5	12.2	11.2	11.2	13.3	14.5	12.9	11.2	11.3	11.3
Imports	0.8	1.1	1.5	4.3	1.2	1.1	1.1	1.4	4.8	1.1	4.3
Total supply	66.5	65.6	64.5	220.6	64.1	67.6	66.9	65.7	223.6	65.2	228.3
Commercial exports	3.5	2.8	2.3	12.5	2.4	2.6	3.0	2.9	10.8	2.6	11.5
Ending commercial stocks	13.5	12.2	11.2	11.2	13.3	14.5	12.9	11.3	11.3	13.6	11.8
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	49.4	50.6	51.0	196.9	48.5	50.5	51.0	51.5	201.5	49.0	205.0
<b>Skim solids (bil. pounds milk equiv.)</b>											
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.2	51.3	51.4	207.6	52.8	212.6
Beginning commercial stocks	12.7	13.3	12.3	11.7	13.1	13.7	15.6	13.0	13.1	12.5	12.5
Imports	1.2	1.5	1.5	5.6	1.4	1.3	1.3	1.7	5.7	1.3	5.6
Total supply	66.6	65.7	64.5	222.3	66.2	68.2	68.2	66.1	226.4	66.7	230.7
Commercial exports	11.0	9.3	9.1	39.2	8.8	9.2	9.9	9.8	37.8	9.7	39.1
Ending commercial stocks	13.3	12.3	13.1	13.1	13.7	15.6	13.0	12.5	12.5	12.7	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	42.4	44.1	42.3	170.1	43.7	43.4	45.3	43.8	176.2	44.3	178.8
<b>Milk prices (dol./cwt) 1/</b>											
All milk	24.23	24.40	22.77	23.97	17.00	16.40	17.20	17.90	17.10	17.25	17.45
						-16.70	-17.80	-18.80	-17.60	-18.25	-18.45
Class III	22.75	22.82	21.19	22.34	15.73	15.95	16.10	16.50	16.05	15.80	16.20
						-16.25	-16.70	-17.40	-16.55	-16.80	-17.20
Class IV	23.04	23.42	18.75	22.09	13.62	13.85	14.70	15.45	14.35	14.80	15.60
						-14.25	-15.40	-16.45	-14.95	-15.90	-16.70
<b>Product prices (dol./pound) 2/</b>											
Cheddar cheese	2.187	2.168	2.053	2.155	1.567	1.620	1.620	1.655	1.615	1.580	1.610
						-1.650	-1.680	-1.745	-1.665	-1.680	-1.710
Dry whey	0.677	0.683	0.625	0.654	0.529	0.445	0.465	0.485	0.475	0.505	0.515
						-0.465	-0.495	-0.515	-0.505	-0.535	-0.545
Butter	2.053	2.574	2.140	2.136	1.647	1.845	1.935	1.840	1.810	1.635	1.725
						-1.905	-2.025	-1.960	-1.890	-1.765	-1.855
Nonfat dry milk	1.920	1.707	1.379	1.768	1.024	0.950	1.000	1.135	1.025	1.165	1.215
						-0.980	-1.050	-1.205	-1.065	-1.235	-1.285

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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