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# Livestock, Dairy, and Poultry Outlook

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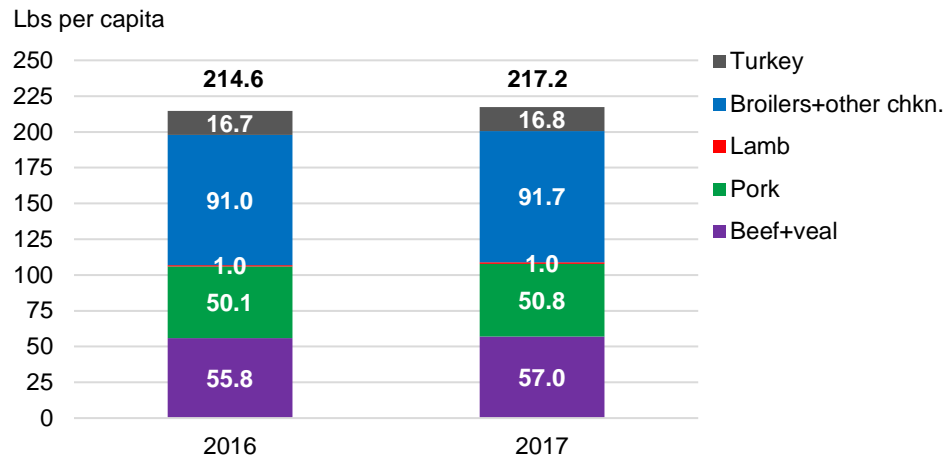
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## Red Meat and Poultry Disappearance in 2017 To increase 2.6 Pounds per Person Compared with Last Year

Disappearance, as depicted in the figure below, is the quantity of red meat and poultry that is used in domestic markets. Per capita disappearance is calculated by subtracting net exports and stocks changes from production and then dividing this result by the U.S. population. In 2017, per capita disappearance of red meats and poultry on a retail basis is projected to be 217.2 pounds per person, 2.6 pounds more than the 214.6 pounds available per capita last year. This year, red meats (beef, pork, veal, and lamb) are expected to make up slightly more than half of disappearance (51.1 percent), while poultry will likely account for slightly less (49.9 percent).

In 2016, the breakdown between shares of red meats and poultry was the reverse: poultry comprised slightly more—50.2 percent—of total per capita disappearance, while red meats accounted for 49.8 percent. Although poultry production is expected to rise 2 percent this year, strong production increases of beef and pork—4.1 percent and 4.7 percent, respectively—largely explain the share of red meat per capita availability in 2017.

### Per capita disappearance of red meats and poultry on a retail basis, 2016 and 2017



Source: World Agricultural Outlook Board, U.S. Dept. of Agriculture.

#### Contents

- Cattle/Beef
- Dairy
- Pork/Hogs
- Poultry
- Contacts and Links

#### Tables

- Red Meat and Poultry Dairy Forecast

#### Web Sites

- Animal Production and Marketing Issues
- Cattle
- Dairy
- Hogs
- Poultry and Eggs
- WASDE

Tables will be released on March 28, 2017

The next Outlook Report release is April 17, 2017

Approved by the World Agricultural Outlook Board.

**Cattle/Beef:** The USDA beef production forecast was adjusted higher for 2017 while at the same time beef and veal exports show strength.

**Dairy:** The 2017 milk production forecast has been raised from last month's forecast. The forecast for exports on a skim-solids milk-equivalent basis has been lowered. Price forecasts have been lowered for cheddar cheese and nonfat dry milk but raised for butter and dry whey. The all-milk price forecast for 2017 is \$17.80-\$18.40 per cwt, an increase of 10 cents at the lower end of the range from last month's forecast.

**Pork/Hogs:** In the first 2 months of 2017, robust pork demand has supported hog and pork prices above year-ago levels despite year-over-year higher pork production. While first-quarter hog prices are expected to average more than 13 percent above year-ago levels, very large hog supplies are likely to pressure prices later in the year. On the flip-side however, larger pork supplies imply that continuing competitive pork prices are likely to draw interest from domestic and foreign pork buyers.

**Poultry:** Broiler production and export trends have remained relatively stable, registering positive growth in January on a year-over-year basis. Egg production forecasts have been revised upward by a significant amount, largely due to revisions to historical data in February. Increased turkey poult placements in late 2016 and early 2017 indicate further production gains in the first half of 2017, but downward pressure on prices is expected to slow production growth in the second half of the year. The forecast for 2017 turkey production was reduced by 35 million pounds to 6.085 billion pounds.

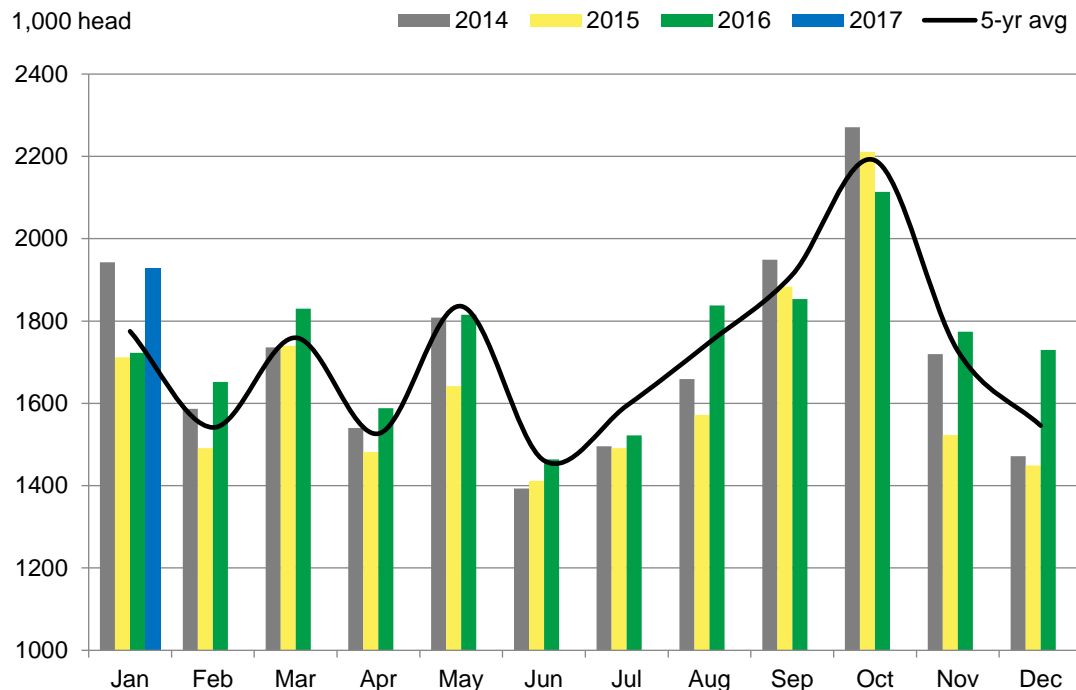
## Cattle / Beef

### *Southwest and Southern Plains States Small Grain Feeding Hampered by Drought*

Small grain cattle grazing in the Southwest and Southern Plains States is likely being hampered by drought and wildfires. Wildfires have burned hundreds of square miles in the panhandle of Oklahoma and Texas, as well as in Southeast Kansas and eastern Colorado. In addition, based on the February 21, 2017, *U.S. Drought Monitor*, areas of severe drought have increased across much of Oklahoma, southeast Kansas, and eastern Colorado. The Drought Monitor notes that Oklahoma continues to experience “extremely warm and dry weather” on top of last year’s warm and dry weather, according to the latest NASS *Crop Progress* report. This may be affecting some winter wheat pastures in these areas.

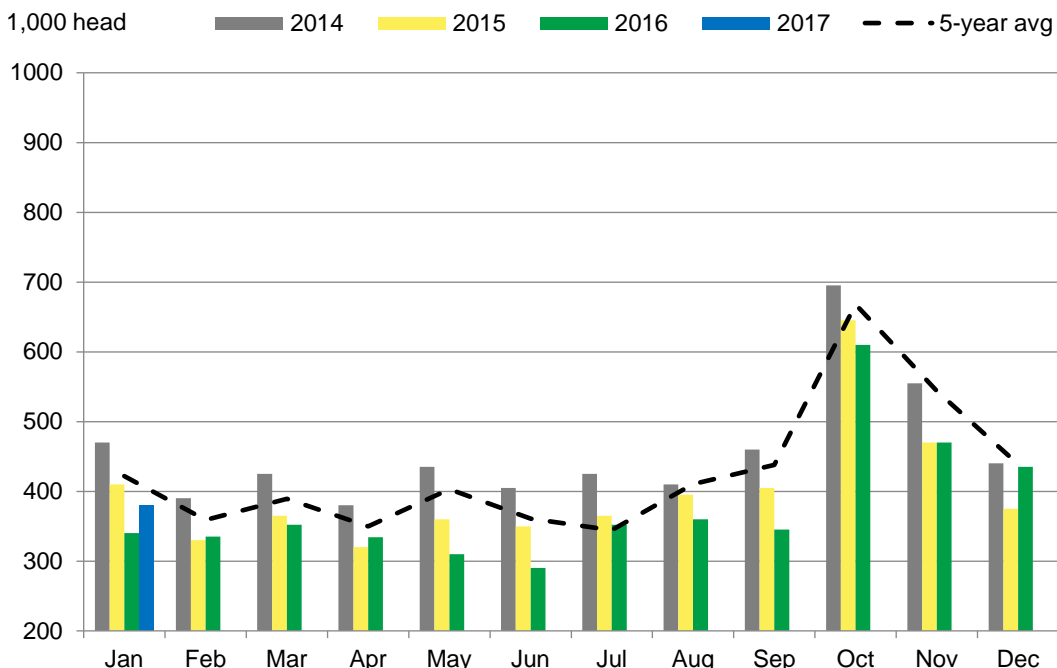
The January 1, 2017, *Cattle* report indicated that cattle outside feedlots totaled 26.6 million head, up 2.17 percent from 2016. Based on the February 24, 2017, NASS *Cattle on Feed* report, placements in feedlots in January were up 11 percent compared to the same period in 2016, and almost at the same level as 2014. The higher year-over-year net placements of cattle on feed and the decline in placement in the average placement weight in January may have reflected concerns about pasture availability.

#### Net placements in 1,000-head-plus lots



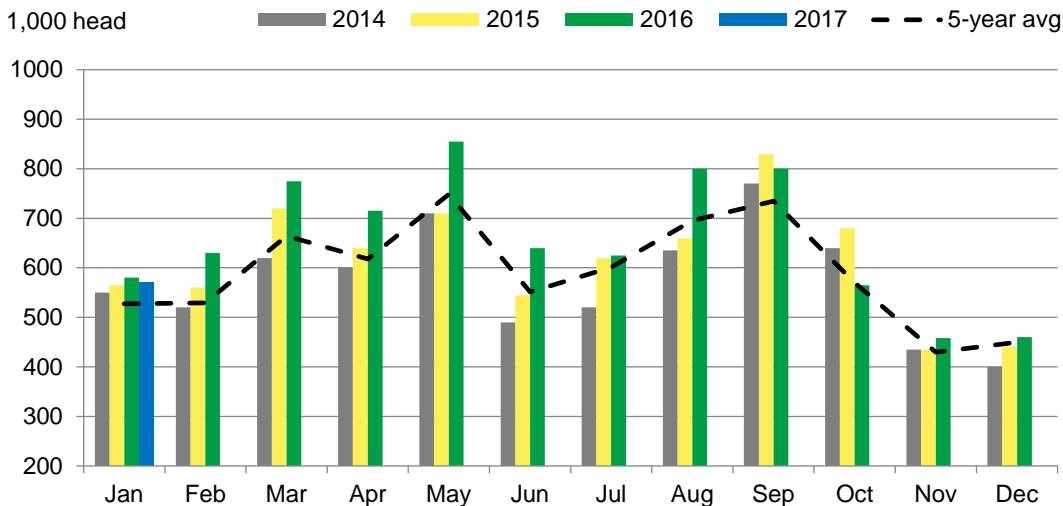
Source: USDA, National Agricultural Statistics Service, compiled by the Economic Research Service.

### Placements under 600 lbs in 1,000-head-plus lots



Source: USDA, National Agricultural Statistics Service, Compiled by the Economic Research Service.

### Placements over 800 lbs in 1,000-head-plus lots



Source: USDA, National Agricultural Statistics Service, compiled by the Economic Research Service.

### *Production Continues to Show Strength*

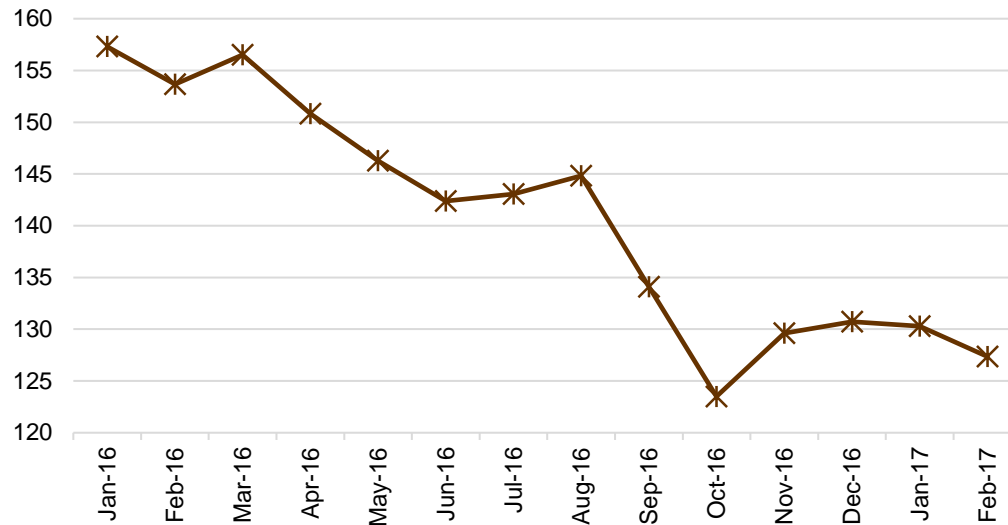
Weekly federally inspected beef production through the last week of February is estimated above the levels of a year ago and above the 5-year average. Producers are marketing their cattle in a timely manner, and the more rapid pace of slaughter was a contributing factor in the increase in USDA’s forecast for first-quarter commercial beef production. However, the increase in slaughter is conditioned by lower carcass weights as feedlot operators remain current in their marketings. Thus, forecasts for commercial beef production in the first quarter of 2017 are projected to be 2.5 percent higher than the same period in 2016.

## Stable Prices Across the Cattle and Beef Complex

Feeder cattle prices bottomed in October 2016 and have since seen a slow rebound that appears to have stalled the last 2 months. This is likely due to the relatively large supply of feeder animals available to place. The 11 percent increase in January placements likely reflected this increased supply of feeder animals. Feeder Steers, Medium & Large No. 1 750-800 lbs. declined 43 cents per hundredweight (cwt) in January, followed by a \$2.94 decline for February 2017 to \$127.36 per cwt. The first-quarter 2017 feeder cattle price is forecast to average from \$127.00-\$131.00 per cwt, \$1.20 up from fourth-quarter 2016.

### Feeder Cattle Price Recovery has Stalled

Price, \$/cwt

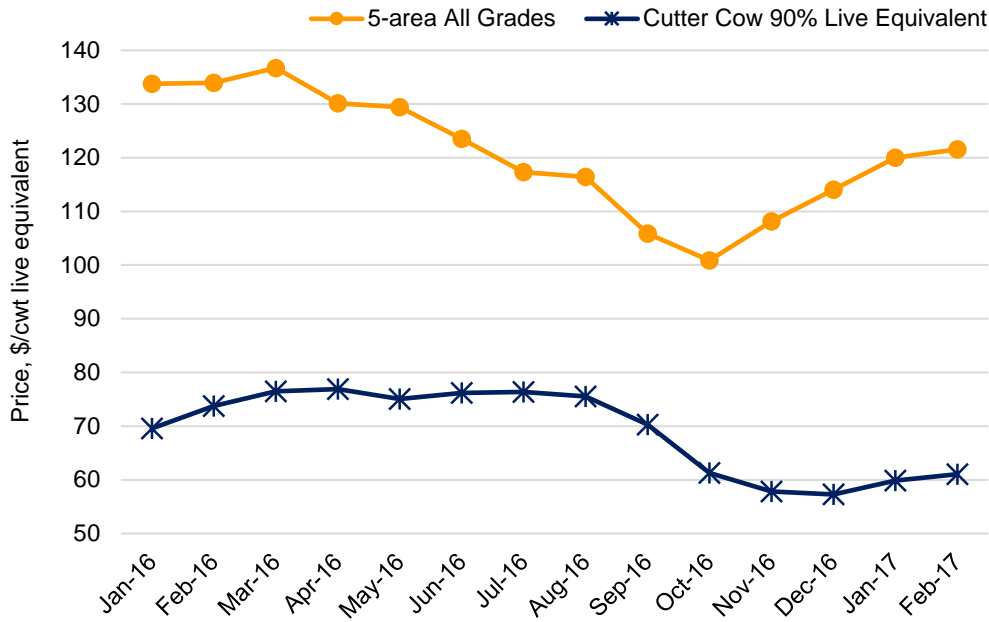


Source: Economic Research Service, USDA

The 5-Area all grades fed steer price also bottomed in October 2016, but has recovered in the face of higher fed cattle slaughter. Although remaining below year-earlier levels, the January and February 2017 prices have increased to \$119.99 and \$121.54 per cwt, respectively. The first-quarter 2017 5-area fed steer price is forecast in the range of \$121.00 to \$124.00 per cwt.

The price of beef cutter-cow live equivalent 90-percent lean, 500 pounds and up in January 2017 increased by \$2.58 per cwt from the previous month to \$59.86 per cwt, although it was \$9.73 lower than the same month a year ago. Cutter cow prices increased \$1.21 per cwt in February 2017, signaling an increase in demand for lean beef. The first quarter 2017 cutter cow price is forecast at \$60.00-\$61.00 per cwt.

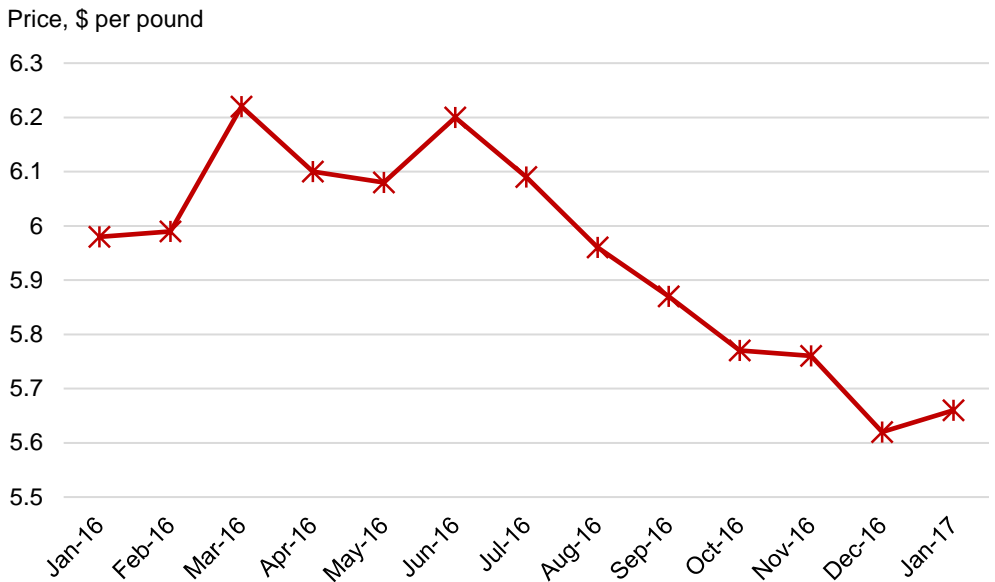
### Cutter-cow and 5-Area cow prices progress in the beginning of 2017



Source: Economic Research Service, USDA.

The retail price of choice beef has also shown a muted recovery, likely due to the abundant supply of meat across the animal protein complex. The January 2017 price was 4 cents up from the previous month to \$5.66 per pound, but still 22 cents per pound lower than year-earlier levels. The February 2017 price of choice beef is also estimated to be slightly up from the January price.

### Retail Beef Price Up in Early 2017



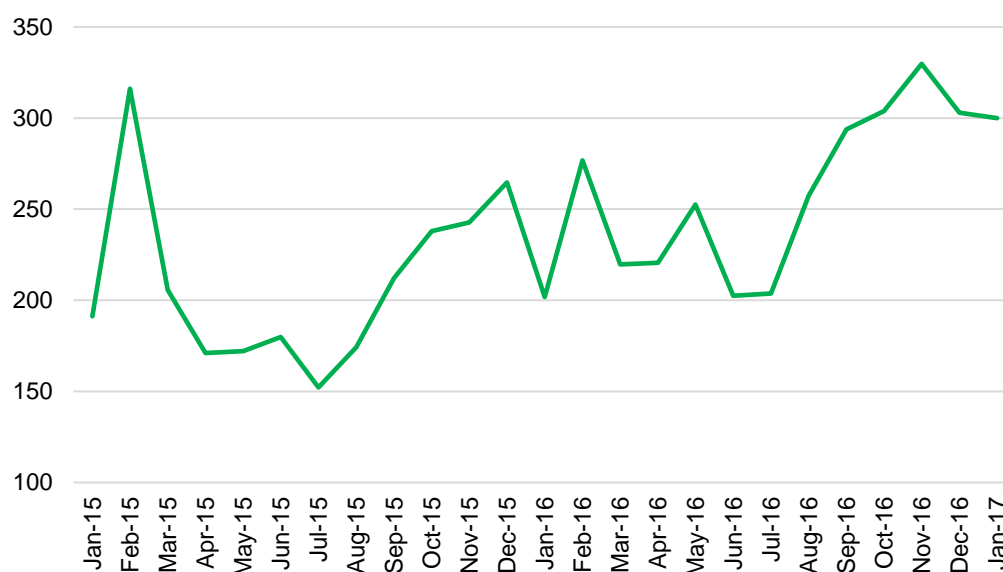
Source: Economic Research Service, USDA.

## ***Imports Reflect Declines from Major Suppliers***

U.S. beef imports in January 2017 declined 21 percent relative to the same period last year. Imports from Australia fell 47 percent, at least partly due to the country's continued tight supplies. Declines were also seen in imports from New Zealand (-31 percent) and Canada (-17 percent). Some of the import losses from these countries were made up with significant increases from Mexico (+53 percent) and Nicaragua (+23 percent). Imports from Mexico and Nicaragua have become attractive, at least partly due to the relative currency strength of the U.S. dollar. The beef imports trade-weighted U.S. dollar index has recently been at its highest levels since February 2015. This index reflects the dollar value against currencies of the major countries from which the U.S. imports beef and veal. Nine countries make up 99 percent of U.S. beef imports (Australia, Canada, New Zealand, Brazil, Uruguay, Mexico, Nicaragua, Argentina and Costa Rica). Despite the potential tailwinds from the strength of the dollar, tighter supplies of processing beef from Oceania, and relatively high prices for imported lean beef relative to domestic lean beef, the first-quarter 2017 beef import forecast was maintained at 700 million pounds. Imports for 2017 are forecast at 2.70 billion pounds.

### **Beef imports trade-weighted<sup>1</sup> U.S. dollar Index**

Index (Jan 2000=100)



Sources: U.S. Dept. of Agriculture, Economic Research Service, and International Financial Statistics of the International Monetary Fund. Compiled by the Economic Research Service.

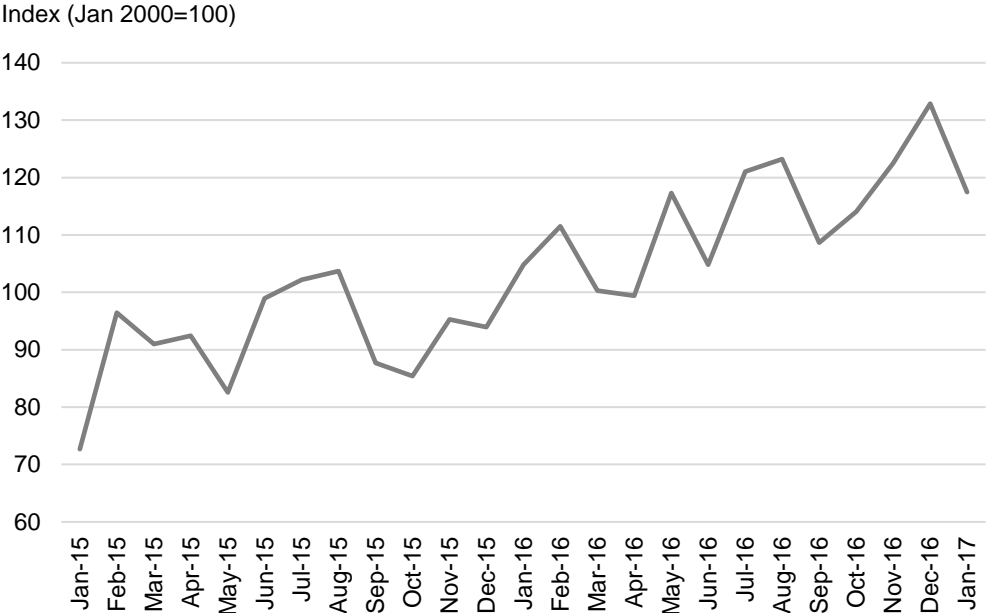
## ***U.S. Beef Exports Up Despite Dollar Strength***

First-quarter 2017 U.S. beef exports were raised 10 million pounds, largely due to the strength of export sales to Japan, other Asian countries and our North American partners. January exports showed a 21-percent year-over-year increase. Export increases were seen

<sup>1</sup> The trade-weighted U.S. dollar index for beef imports was developed based on the share of beef imports from Australia, Canada, New Zealand, Brazil, Uruguay, Mexico, Nicaragua, Argentina, and Costa Rica, which make up 99 percent of U.S. imports. The trade-weighted U.S. dollar index for beef exports was developed based on the share of beef exports from Mexico, Japan, Canada, South Korea, Taiwan and Hong Kong, which made up 90 percent of U.S. beef exports.

in Japan (+40 percent), South Korea (+38 percent), Mexico (+41 percent), and Canada (+11 percent). Export sales continue to exhibit strength despite potential headwinds from the strength of the dollar. The beef exports trade-weighted U.S. dollar index is at its highest levels since 2015. This index reflects the dollar value against currencies of the major countries to which the U.S. exports beef and veal. These six countries' exports (Mexico, Japan, Canada, South Korea, Taiwan, and Hong Kong) make up 90 percent of U.S. beef. Increased beef exports to Mexico were rather surprising in the face of the significant decline in the value of the Peso. First quarter 2017 exports are forecast at 635 million pounds, with the full-year forecast at 2.7 billion pounds.

**Beef exports trade-weighted<sup>2</sup> U.S. dollar index**



Sources: U.S. Dept. of Agriculture, Economic Research Service, International Financial Statistics of the International Monetary Fund. Compiled by the Economic Research Service

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<sup>2</sup> The trade-weighted index is developed based on the share of beef exports to Mexico, Japan, Canada, South Korea, Hong Kong, and Taiwan. These countries make up 90 percent of U.S. exports.



## Recent Developments in Dairy Markets

Recent wholesale price directions for U.S. dairy products, as reported in the USDA *National Dairy Products Sales Report* (NDPSR), have been mixed in recent weeks. From the week ending February 4 to the week ending March 4, prices declined for butter, 40-pound blocks of cheddar cheese, and nonfat dry milk (NDM), but prices rose for 500-pound barrels of cheddar cheese and dry whey.

### Dairy product prices (dollars per pound)

	For the week ending		Change
	February 4	March 4	
Butter	2.229	2.156	-0.073
Cheddar cheese			
40-pound blocks	1.720	1.637	-0.083
500-pound barrels <sup>1</sup>	1.606	1.656	0.050
Nonfat dry milk	1.020	0.927	-0.093
Dry whey	0.470	0.513	0.043

<sup>1</sup>Adjusted to 38 percent moisture.

Source: U.S. Dept. of Agriculture, Agricultural Marketing Service, National Dairy Product Sales Report.

From the week ending February 24 to the week ending March 3 on the Chicago Mercantile Exchange (CME),<sup>1</sup> the butter price increased from \$2.129 to \$2.180 per pound, while prices declined for cheddar cheese—from \$1.543 to \$1.507 per pound for 40-pound blocks, and from \$1.557 to \$1.476 for 500-pound barrels. Price changes on the CME for butter and cheese typically precede similar changes reported in the NDPSR by a week or two.

Strong demand for whey protein concentrate (WPC) and whey protein isolate (WPI) has likely contributed to the increase in the dry whey price. Production of the two products grew from 46 million pounds in September to 50 million pounds in December and remained about the same in January. Dry whey stocks became relatively tight—67 million pounds at the end of January (much lower than 84 million in at the end of January 2016).

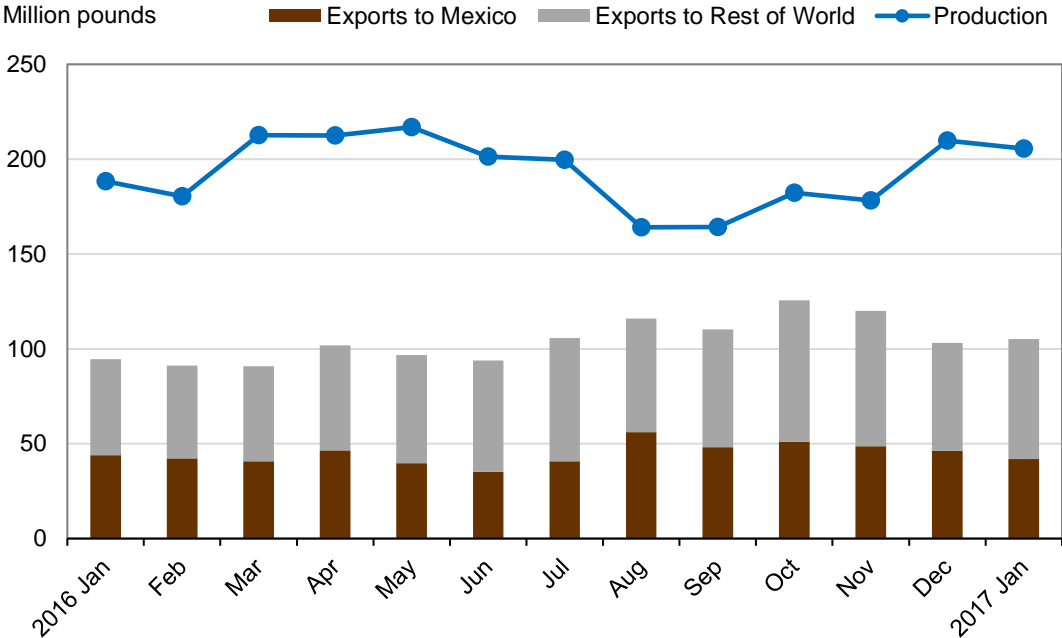
From December to January, commercial exports decreased for most dairy products, with notable declines for cream, whey products, and lactose. Combined exports of nonfat dry milk and skim milk powder (NDM/SMP),<sup>2</sup> the dairy product with the highest export volume for the United States, were 105 million pounds in January, slightly higher than December but lower than the recent peak of 125 million pounds in October.

<sup>1</sup> NDPSR prices are usually reported each Wednesday for the week ending the previous Saturday. Since Friday is the last trading day each week on the CME, prices are usually reported for each week ending on Friday.

<sup>2</sup> Nonfat dry milk (NDM) and skim milk powder (SMP) are two very similar products, and the terms are often interchangeable in common usage. Both products are manufactured by removing water from skim milk, and export data do not distinguish between the two products. However, SMP standards allow for adjustment of protein content to a standardized level (through the addition of lactose, permeate, or retentate), while NDM standards do not allow this type of adjustment. For a discussion of the two products, see Appendix B of *Growth of U.S. Dairy Exports* by Cessna et al. (<https://www.ers.usda.gov/publications/pub-details/?pubid=81251>).

Mexico has consistently been the leading export destination for U.S. dairy products, and NDM/SMP has been the leading U.S. dairy product exported to Mexico. In 2016, 54.1 percent of NDM/SMP produced in the United States was exported, and 43.1 percent of NDM/SMP exports went to Mexico. NDM/SMP exports to Mexico have declined each month since October, although they remained a substantial proportion of the total in January. However, there is a great deal of uncertainty concerning the future of exports to Mexico. The strong U.S. dollar is making NDM/SMP exports from U.S. to Mexico less attractive. For the week ending February 17, USDA *Dairy Market News* (DMN) reported that the Mexican Government bought 15,000 metric tons (about 33 million pounds) of SMP from Europe. According to DMN, “Mexican buyers have been quiet, analyzing SMP tenders from other international manufacturers outside the U.S.” In subsequent reports, DMN has continued to report Mexico’s sluggish demand for U.S. NDM/SMP. Mexico’s purchase of 33 million pounds of SMP from the EU is considerable; for the entire year of 2016, EU exports of SMP to Mexico totaled only 18 million pounds.

**U.S. production and exports of nonfat dry milk and skim milk powder**



Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service and Foreign Agricultural Service; U.S. Dept. of Commerce, Census Bureau.

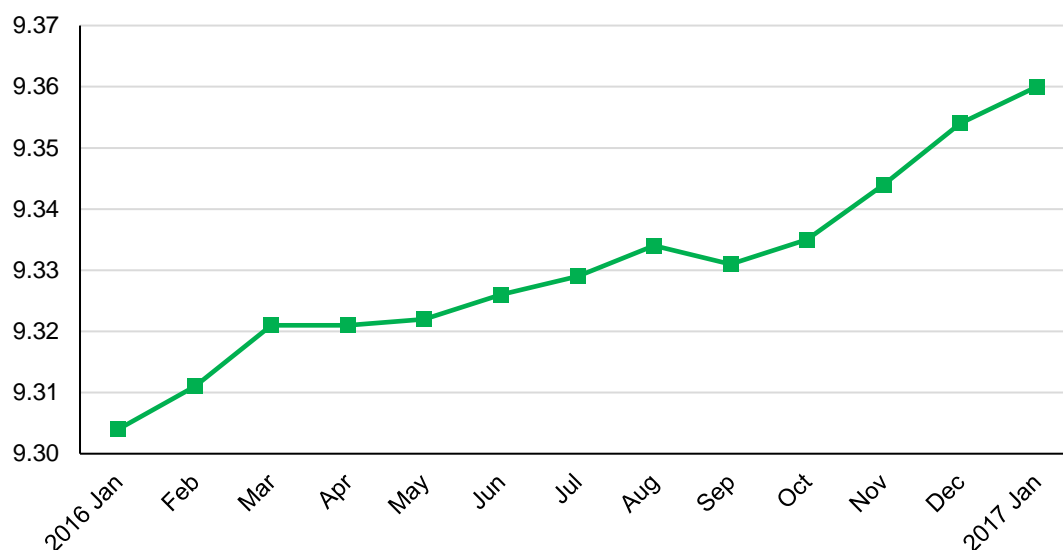
U.S. milk cow numbers climbed to 9.360 million head in January, 6,000 more than December 2016 and 56,000 more than January 2016. Yield per cow averaged 1,937 pounds, 35 pounds above January 2016. U.S. milk production was 18.1 billion pounds in January, up 2.5 percent above the previous year.

Feed price forecasts for corn and soybean meal for 2016/17 are \$3.20-\$3.60 per bushel and \$310-\$340 per short ton, both unchanged from last month’s forecasts.<sup>3</sup> The alfalfa hay price decreased from \$129 per short ton in December to \$128 in January; this is \$13 lower than January 2016.

<sup>3</sup> The marketing year begins September 1 for corn and October 1 for soybean meal.

## U.S. milk cow numbers

Million head



Source: U.S. Dept. of Agriculture, National Agricultural Statistics.

Imports in January were 542 million pounds on a milk-fat milk-equivalent basis, a decrease of 55 million from December. On a skim-solids milk-equivalent basis, January imports were 576 million pounds, a decrease of 8 million pounds from December. Stock levels remained relatively high, with ending stocks for January higher than January 2016 by 221 million pounds on a milk-fat basis and 602 million pounds on a skim-solids basis.

### *Dairy Forecasts for 2017*

Based on recent data, the 2017 forecast for milk cows is now 9.380 million head, an increase of 10,000 head from the previous forecast. Milk per cow is forecast 10 pounds lower than last month's forecast, at 23,185 pounds for the year. These changes result in a milk production forecast for 2017 of 217.5 billion pounds, 0.1 billion pounds higher than last month's forecast.

The import forecast for the year on a milk-fat basis is unchanged at 6.6 billion pounds. Exports on a milk-fat basis are projected to be 8.3 billion pounds in 2017, the same as last month's forecast. The domestic-use forecast on a milk-fat basis is 214.6 billion pounds for the year, a reduction of 0.1 billion pounds from the previous estimate. The estimate for stocks at year's end on a milk-fat basis is unchanged at 14.3 billion pounds.

The 2017 import forecast on a skim-solids basis is 6.2 billion pounds, unchanged from last month's forecast. Exports on a skim-solids basis are forecast 0.3 billion pounds lower, at 39.8 billion pounds for the year, mostly due to lower expectations for NDM/SMP exports. Domestic use is expected slightly lower than last month, at 183.1 billion pounds for the year. With lower expected exports and higher expected milk production, the forecast for ending stocks on a skim-solids basis has been raised to 14.5 billion pounds, 0.5 billion pounds higher than last month.

Recent weakness in cheese prices and sustained high stocks result in a reduction in the cheese price forecast to \$1.645-\$1.705 per pound for the year. With the price strength of and tightness in the supply of dry whey (due in part to high production of WPC and WPI),

the whey price forecast has been increased to \$0.495-\$0.525 per pound for the year. Spot prices for NDM have recently moved significantly downward; in addition, expectations for exports this year have been lowered. As a result, the NDM price is now forecast at \$0.925-\$0.975 per pound for 2017. The butter price forecast for the year has been raised to \$2.120-\$2.210 per pound due to higher expected demand.

With increases in the whey price more than offsetting decreases in the cheese price, the Class III price forecast is raised to \$16.60-\$17.20 for the year. The Class IV price forecast is lowered to \$14.85-\$15.55 per cwt, as lower NDM prices negate the positive effects of higher butter prices. The all-milk price forecast for 2017 is \$17.80-\$18.40 per cwt, an increase of 10 cents at the lower end of the range from last month's forecast.

### ***USDA's Recommended Decision for California Federal Milk Marketing Order***

On February 10, USDA announced a recommended decision to establish a California Federal Milk Marketing Order. It was published in the Federal Register on February 14. Along with the recommended decision, USDA published a Regulatory Impact Analysis. Comments concerning the decision are being accepted until May 15, 2017. For more information, see [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder).

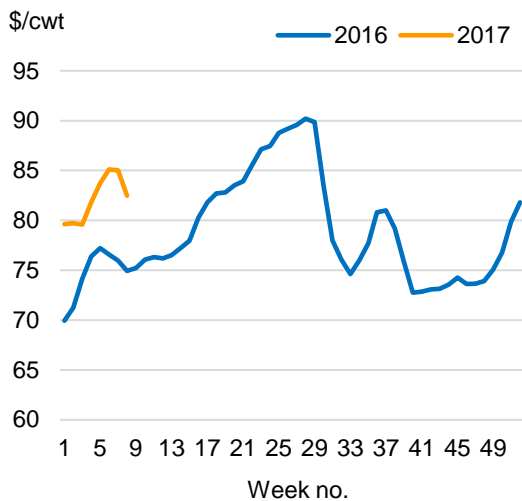
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## Pork / Hogs

### *Robust Pork Demand Defines First 2 Months of 2017*

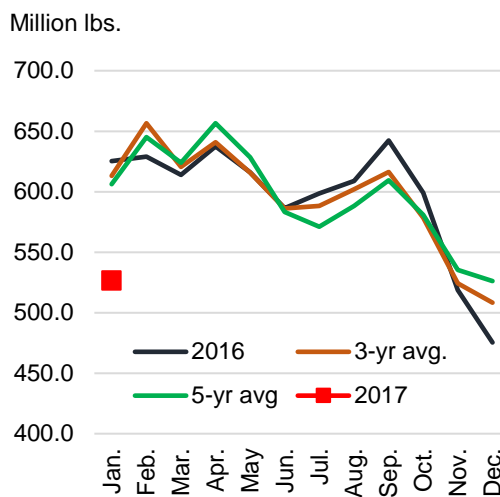
For the first 2 months of 2017, pork production is estimated to be greater than a year ago, and most pork products are selling at year-over-year higher wholesale prices. More pork, selling at higher prices, implies that pork demand has increased. First-quarter estimated federally inspected pork production is expected to be about 6.4 billion pounds, down slightly from last month's forecast—due to slightly lower estimated dressed weights—but still almost 3 percent higher than the same period a year ago. Weekly wholesale pork values, represented by the USDA estimated pork carcass cutout, have averaged about 10 percent higher than a year ago, 8 weeks into 2017. Some of this increase is attributable to belly values that spiked early in the year as some suppliers scrambled to cover sales commitments. Of the primal values that make up the carcass cutout, however, only loins and ribs have shown some year-over-year weakness. So in addition to bellies, other primals—picnics, butts, hams—are clearing the market at year-over-year higher prices.

#### Weekly estimated pork carcass cutout



Source: Agricultural Marketing Service, U.S. Dept. of Agriculture.

#### Monthly pork ending stocks



Source: Agricultural Marketing Service, U.S. Dept. of Agriculture.

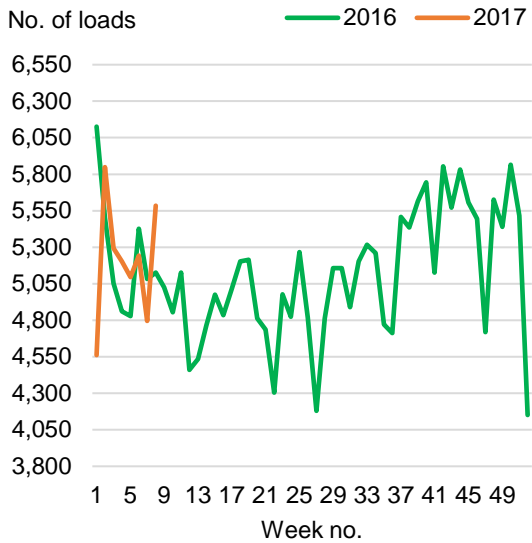
Monthly ending cold stocks of pork for January are striking evidence of very strong pork demand. At 527 million pounds, ending stocks were almost 16 percent below a year ago, and significantly below 3- and 5- year averages for January.

### *Where Is the Pork Going, If It's Not Going into Cold Stocks?*

Data suggest that both domestic and foreign demand are robust so far in 2017. On the domestic side, while weekly load data is running slightly below a year ago—due largely to the New Year holiday falling on a Monday—perceptibly lower pork retail prices are likely giving consumers a reason to re-think animal protein purchases and to opt more often for pork cuts. ERS pork composite retail values fell into the high \$3.50s per pound in December, the lowest value since May 2013. The composite retail value for January was \$3.57 per pound, about 6 percent below a year earlier. Further retail price reductions are anticipated in 2017.

Weekly export sales data for U.S. pork show significant increases compared with a year earlier <https://apps.fas.usda.gov/export-sales/esrd1.html>. Year-over-year weekly increases have averaged more than 24 percent through late February.

**Weekly pork loads: negotiated formula and forward-sold**      **Total weekly export sales, pork**

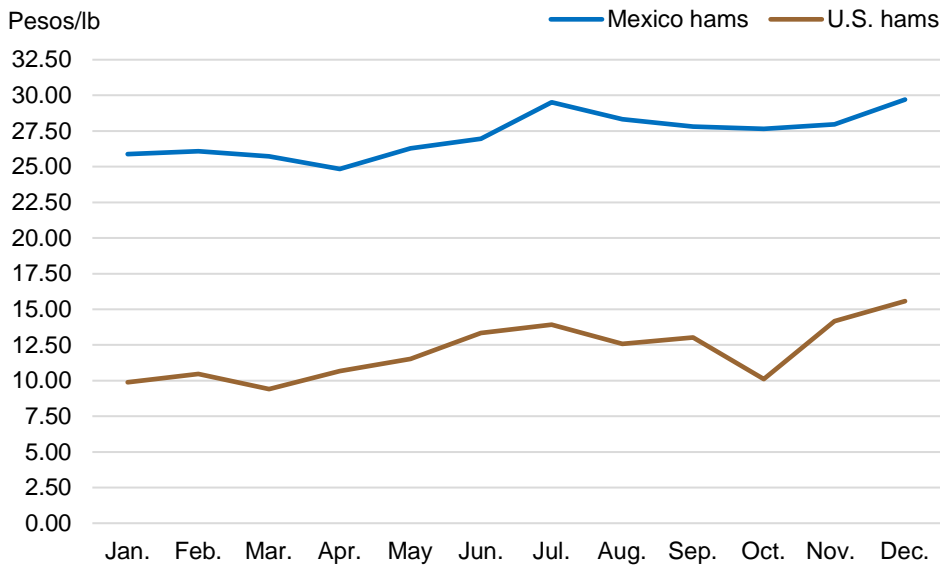


Source: Agricultural Marketing Service, U.S. Dept. of Agriculture.

Source: Foreign Agricultural Service, U.S. Dept. of Agriculture.

Reported export sales to Mexico—one of the largest foreign buyers of U.S. pork—averaged almost 70 percent above year-earlier sales. Despite the recent depreciation of the peso, the figure below shows that U.S. hams valued in pesos continue to significantly underprice Mexican hams. Fresh bone-in hams account for a significant share of U.S. exports to Mexico.

**2016 Monthly ham prices: U.S., Mexico**



Source: Agricultural Marketing Service, U.S. Dept. of Agriculture.

## ***Second-Quarter Pork Production To Accelerate, Hog Prices To Fall Below a Year Earlier***

March marks the beginning of the period in which the fall pig crop approaches slaughter-ready weight. The December *Quarterly Hogs and Pigs* reported that the September-November pig crop was 5 percent above year-earlier numbers. While first-quarter hog prices are expected to average \$50-\$51 per cwt, about 13 percent above the same period a year ago, second-quarter prices—which are likely to average \$45-\$47 per cwt—are expected to fall below year-earlier prices, due largely to the 6-percent increase in pork production that results from increased supplies of slaughter-ready hogs and slightly heavier carcass weights.

On the demand side, larger pork supplies are expected to pressure product prices, which will most likely accelerate exports and press retail prices lower. First-quarter U.S. pork exports are expected to be 1.4 billion pounds, more than 14 percent above the same period of 2016. Second-quarter exports are forecast at 1.385 billion pounds, almost 5 percent above a year ago. For the year, exports are likely to total almost 5.7 billion pounds, more than 8 percent higher than 2016. Forecasts for 2017 pork production and pork exports imply a 2017 per capita pork disappearance of 50.8 pounds per person on a retail weight basis, almost a pound above availability in 2016. The export forecast for 2017 implies that 21.7 percent of U.S. commercial pork production is slated to be exported in 2017, up from 21 percent in 2016.

### ***Exports Start Off 2017 With a Bang***

U.S. pork exports in January were 458 million pounds, almost 20 percent higher than a year earlier. The 10 largest foreign destinations for U.S. pork exports in January are listed below, along with export shares and unit values. In particular, shipments to Mexico and South Korea were very strong, increasing 36 percent and 34 percent, respectively. Mexico and South Korea shares of January exports each increased year-over-year as well. Mexico accounted for 35.4 percent of January exports, compared with 31.2 percent last January. South Korea's share increased to 10.7 percent compared to 9.6 percent a year earlier. Exports to Japan increased 5.5 percent, year-over-year. Although Japan accounted for a smaller share of January exports than a year ago—21.5 percent in January 2017 versus 24.3 percent a year ago—the unit value of shipments to Japan, \$1.31 per pound, was second only to Canada, whose unit value of \$1.84 per pound was the highest among important export markets in January.

**U.S. pork exports: Volumes, export shares and unit values of the 10 largest foreign destinations, January 2016, 2017**

Country	Exports Jan. 2016 (mil. lbs)	Exports Jan. 2017 (mil. lbs)	Percent change (2017/2016)	Export share 2016 %	Export share 2017 %	Unit value 2016 \$	Unit value 2017 \$
World	383	458	19.6			0.95	0.97
<b>1</b> Mexico	120	162	35.7	31.2	35.4	0.63	0.69
<b>2</b> Japan	93	98	5.5	24.3	21.5	1.25	1.31
<b>3</b> South Korea	37	49	33.9	9.6	10.7	0.82	0.90
<b>4</b> Canada China\Hong Kong	38	38	0.1	9.9	8.3	1.73	1.84
<b>5</b> Australia	35	34	-3.4	9.3	7.5	0.69	0.67
<b>6</b> Colombia	16	19	18.9	4.2	4.2	0.80	0.89
<b>7</b> Dominican Republic	8	17	109.4	2.1	3.7	0.81	0.81
<b>8</b> Honduras	6	8	34.9	1.6	1.8	0.72	0.74
<b>9</b> Chile	6	7	24.2	1.5	1.5	0.61	0.59
<b>10</b>	1	4	179.2	0.4	0.9	1.15	0.85

Source: U.S Dept. of Agriculture, Economic Research Service.

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# Poultry

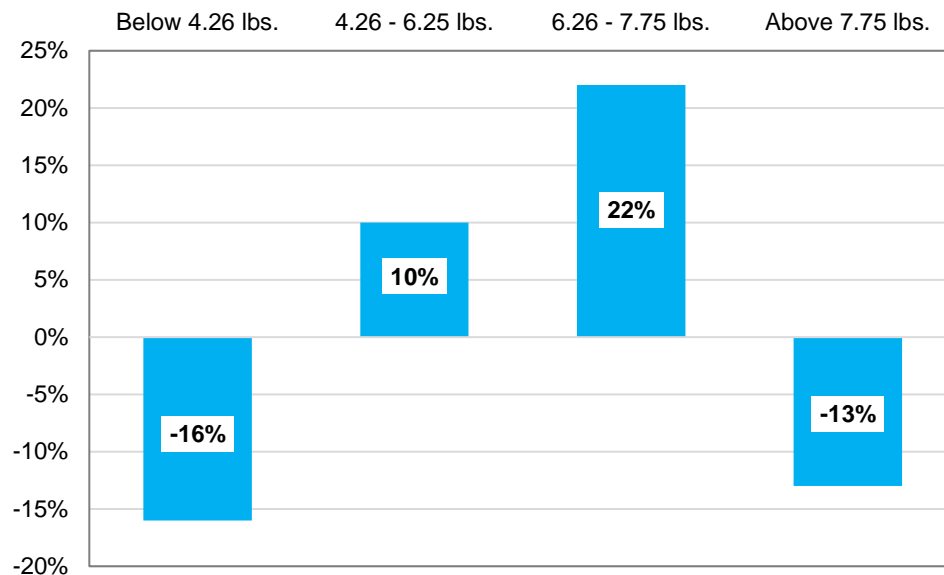
## Broiler Industry

January broiler meat production was 3.5 billion pounds, approximately 2 percent above year earlier on a per day basis, due mostly to an increase in the number of birds slaughtered. Preliminary data suggested that February production was higher than a year earlier on a per day basis; however, bird weights may have been lower.

The decreasing trend in the proportion of birds grown to the heaviest weight category (above 7.75 pounds) has appeared to continue in 2017.<sup>1</sup> The impact on average weights across all broilers has appeared to be mitigated by fewer birds being slaughtered in the lightest bird category (below 4.26 pounds). Preliminary weekly data through February 25 showed a 13-percent decline in the year-to-date slaughter of the heaviest weight birds. The slaughter of lightest weight birds was down 16 percent year-to-date (see figure below).

### Fewer broilers slaughtered in the lightest and heaviest groups

Year-to-date change in broiler slaughter by weight category through February 25, 2017 (preliminary data)



USDA Livestock, Poultry & Grain Market News - <http://www.ams.usda.gov/market-news/livestock-poultry-grain>

January broiler exports reached 556 million pounds, a 12-percent increase from 2016. This was relatively strong growth compared to historical and recent averages for January. Exports to South Africa followed last month's momentum and reached nearly 20 million pounds again, a new trend discussed in last month's newsletter. Exports to Peru reached a record level of nearly 6 million pounds on a sharp upward trend since October; the country's import data suggested that cut-up chicken imports have become preferred over whole bird imports over the last year.

USDA's March 5 announcement confirming the presence of highly-pathogenic avian influenza (HPAI) on a single broiler breeder operation in Tennessee has led some countries

<sup>1</sup> See last month's Livestock, Dairy, and Poultry newsletter for more discussion of the trend that emerged in the second half of 2016.

to restrict U.S. poultry exports. Through March 8, most of these countries had limited their restrictions to poultry and products from Tennessee or from within a more limited area in the vicinity of the finding.<sup>2</sup> Only a small proportion of U.S. broiler meat would be affected by these restrictions.

Weekly prices for whole broilers (national composite) trended up in February and approached 87 cents per pound for the week ending March 6. This contributed to increases made to first- and second-quarter forecasts, expected to average 85-86 and 86-90 cents per pound, respectively, as of the March forecast.

### ***Egg and Egg Product Industries***

In late February, USDA's National Agricultural Statistics Service revised U.S. egg production upward for the period December 2014–December 2016. The size of the U.S. table-egg layer flock as of January 1, 2017, was increased about 4 million birds from the previous estimate. This led 2017 production forecasts for both table and hatching eggs to be increased substantially from the February forecasts, totaling 235 million dozen eggs more in aggregate for the year.

The appearance of HPAI in Tennessee will likely lower U.S. egg and egg product exports despite the State's not producing a significant amount of table eggs. Specifically, the prior expectations of increasing egg exports to South Korea have become unlikely due to that nation's recent total ban on non-heat-treated poultry and products from the United States. Exports in 2017 are now forecast to reach 305 million dozen, a 9-percent increase above 2016.

Daily prices for large grade A eggs declined during much of February and remained at 64 cents per dozen on the New York wholesale market from February 23 to March 7. Although prices should rebound somewhat before the Easter holiday, the 2017 price forecast was reduced by 5 cents to average 88-93 cents per dozen.

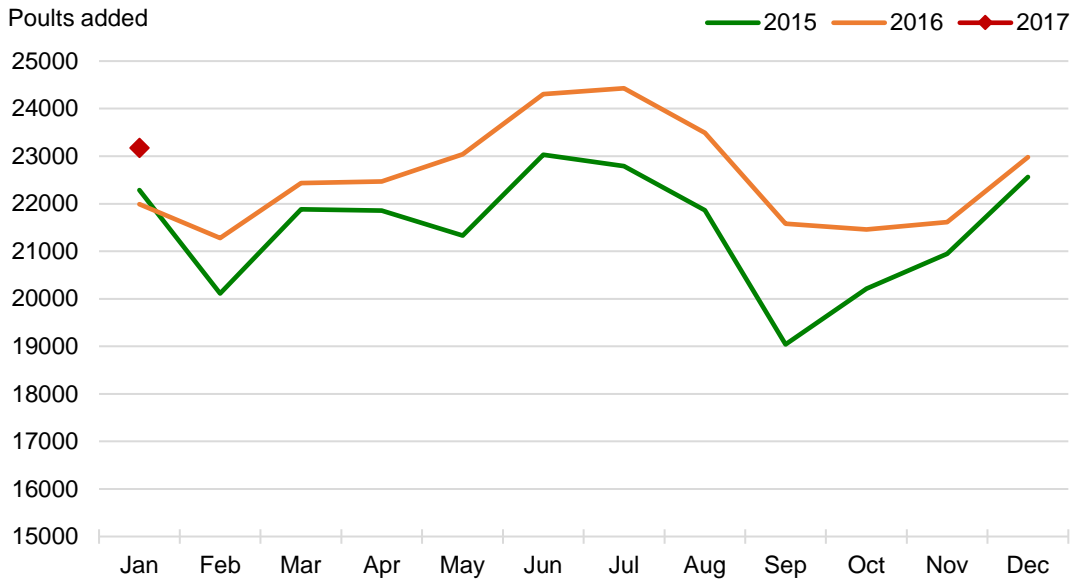
### ***Turkey***

Turkey production grew 5 percent in January 2017 compared with a year earlier as the industry continued to build on the gains made in 2016 following downturns in 2015. Recent growth is largely attributable to increased poult placements from turkey hatcheries, which have averaged 6 percent higher over the last 6 months compared with the same period a year earlier. The forecast for production in the first half of 2017 was raised 15 million pounds to account for the placement expansion

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<sup>2</sup> South Korea did ban all non-heat-treated U.S. poultry exports but has represented 1 percent of broiler exports over the recent 6 months (August–January).

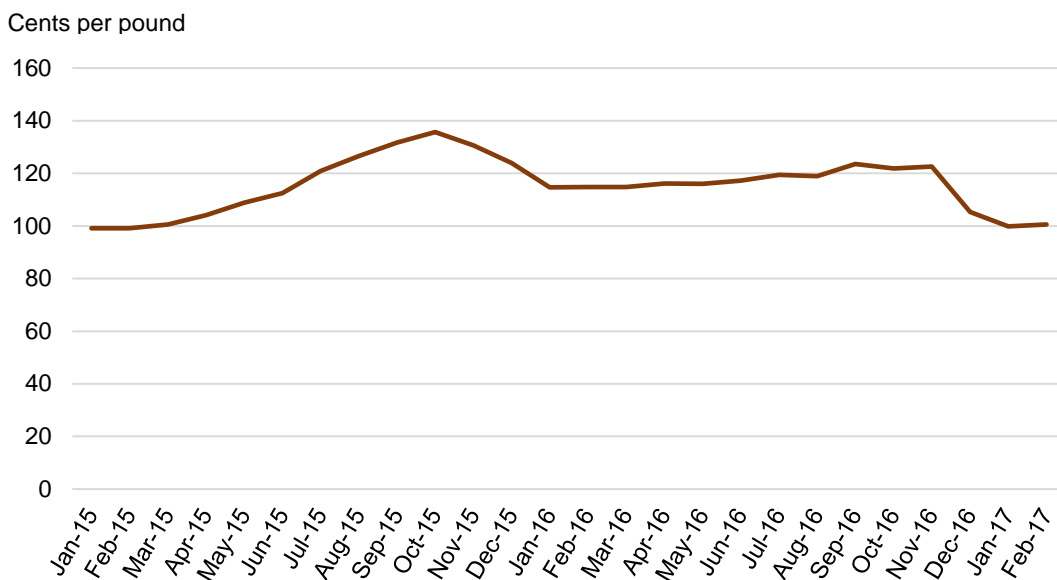
## Turkey poult placements from hatcheries



Source: USDA, Economic Research Service using USDA, National Agricultural Statistics Service Quick Stats.

Sustained production growth in the latter half of 2016 and early 2017 has put downward pressure on prices in the turkey market. Weekly wholesale prices for whole frozen turkey hens have declined 18 percent since November 2016. The average February price of \$1.01 per pound is nearly identical to March 2015 when the Highly Pathogenic Avian Influenza outbreak began impacting turkey production and prices. Turkey prices are forecast to average below 2016 in all quarters of 2017 with the average annual price forecast at \$1.03-\$1.10 per pound compared to \$1.17 per pound in 2016. Downward pressure on prices is expected to slow the pace of growth in the second half of 2017. The forecast for production for the third and fourth quarters was reduced by a total of 50 million pounds to account for price declines. In total, the 2017 production forecast was reduced by 35 million pounds.

## Wholesale frozen turkey (hen) prices



Source: USDA, Economic Research Service using USDA, Agricultural Marketing Service *Market News Reports*.

January 2017 exports of turkey meat were 26 percent higher than a year earlier, with 43 million pounds shipped compared with 34 million pounds in January 2016. These gains are consistent with growth in the second half of 2016, when exports were 20 percent higher than the same period a year earlier. The forecast for 2017 turkey exports is unchanged at 630 million pounds.

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## Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/?page=1&topicId=0&authorId=0&seriesCode=LDPM&sort=CopyrightDate&sortDir=desc>

Animal Production and Marketing Issues, <https://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues/>

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

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**U.S. red meat and poultry forecasts**

	2013					2014					2015					2016					2017						
	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		
<b>Production, million lb</b>																											
Beef	6,175	6,513	6,609	6,423	25,720	5,866	6,184	6,179	6,021	24,250	5,665	5,856	6,068	6,109	23,698	5,935	6,187	6,468	6,623	25,212	<b>6,085</b>	<b>6,605</b>	<b>6,910</b>	<b>6,650</b>	<b>26,250</b>		
Pork	5,775	5,516	5,622	6,274	23,187	5,784	5,504	5,424	6,131	22,843	6,162	5,925	5,958	6,457	24,501	6,230	5,962	6,099	6,647	24,939	<b>6,400</b>	<b>6,320</b>	<b>6,415</b>	<b>6,970</b>	<b>26,105</b>		
Lamb and mutton	38	41	40	38	156	37	43	38	38	156	38	39	37	37	150	38	39	36	37	150	<b>36</b>	<b>38</b>	<b>36</b>	<b>38</b>	<b>148</b>		
Broilers	9,144	9,466	9,683	9,537	37,830	9,299	9,618	9,835	9,814	38,565	9,718	10,021	10,372	9,937	40,048	10,039	10,253	10,338	10,065	40,695	<b>10,225</b>	<b>10,450</b>	<b>10,500</b>	<b>10,350</b>	<b>41,525</b>		
Turkeys	1,459	1,486	1,440	1,420	5,806	1,332	1,428	1,478	1,517	5,756	1,429	1,389	1,352	1,458	5,627	1,435	1,520	1,515	1,511	5,981	<b>1,450</b>	<b>1,535</b>	<b>1,525</b>	<b>1,575</b>	<b>6,085</b>		
Total red meat & poultry	22,743	23,183	23,563	23,844	93,333	22,469	22,934	23,111	23,671	92,185	23,157	23,382	23,940	24,150	94,630	23,831	24,117	24,618	25,035	97,601	<b>24,344</b>	<b>25,105</b>	<b>25,547</b>	<b>25,743</b>	<b>100,739</b>		
Table eggs, mil. doz.	1,733	1,746	1,775	1,829	7,083	1,794	1,823	1,852	1,896	7,366	1,820	1,726	1,664	1,728	6,938	1,793	1,827	1,876	1,939	7,435	<b>1,910</b>	<b>1,875</b>	<b>1,900</b>	<b>1,950</b>	<b>7,635</b>		
<b>Per capita disappearance, retail lb 1/</b>																											
Beef	13.7	14.5	14.3	13.9	56.3	13.1	14.0	13.7	13.4	54.2	13.1	13.6	13.9	13.3	54.0	13.6	13.9	14.0	14.0	55.6	<b>13.4</b>	<b>14.5</b>	<b>14.9</b>	<b>14.0</b>	<b>56.8</b>		
Pork	11.5	11.3	11.4	12.7	46.8	11.2	10.8	11.0	12.8	45.8	12.2	11.8	12.1	13.6	49.8	12.6	11.8	12.1	13.5	50.1	<b>12.4</b>	<b>12.2</b>	<b>12.6</b>	<b>13.7</b>	<b>50.8</b>		
Lamb and mutton	0.3	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.3	0.9	0.2	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.0	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>1.0</b>		
Broilers	20.0	20.3	21.0	20.5	81.9	20.3	20.8	21.2	21.1	83.4	21.4	22.1	23.3	22.1	89.0	22.5	22.7	22.7	21.8	89.8	<b>22.6</b>	<b>22.9</b>	<b>22.7</b>	<b>22.3</b>	<b>90.4</b>		
Turkeys	3.7	3.6	4.0	4.8	16.0	3.4	3.5	3.9	5.0	15.8	3.5	3.6	3.9	4.9	16.0	3.6	3.9	4.2	4.9	16.7	<b>3.7</b>	<b>3.8</b>	<b>4.2</b>	<b>5.1</b>	<b>16.8</b>		
Total red meat & poultry	49.5	50.3	51.4	52.5	203.6	48.6	49.8	50.4	53.0	201.8	50.9	51.8	53.8	54.6	211.1	53.0	53.0	53.7	54.9	214.6	<b>52.6</b>	<b>54.3</b>	<b>55.0</b>	<b>55.7</b>	<b>217.2</b>		
Eggs, number	64.2	63.3	64.6	66.1	258.2	65.6	66.2	67.2	68.5	267.5	65.7	62.9	61.9	65.7	256.3	67.5	67.4	68.7	71.0	274.7	<b>69.1</b>	<b>67.9</b>	<b>68.7</b>	<b>70.0</b>	<b>275.8</b>		
<b>Market prices</b>																											
Choice steers, 5-area Direct, \$/cwt	125.52	124.95	122.30	130.77	125.89	146.34	147.82	158.49	165.60	154.56	162.43	158.11	144.22	127.71	148.12	134.81	127.68	113.26	107.69	120.86	<b>121-124</b>	<b>116-122</b>	<b>110-120</b>	<b>110-120</b>	<b>114-121</b>		
Feeder steers, Ok City, \$/cwt	141.36	133.12	152.08	161.69	147.06	168.49	188.64	220.90	234.25	203.07	210.31	219.65	208.11	173.59	202.92	155.83	146.49	140.66	128.30	142.82	<b>128-131</b>	<b>128-134</b>	<b>133-143</b>	<b>137-147</b>	<b>132-139</b>		
Cutter Cows, National L.E., \$/cwt	77.87	77.46	78.36	76.55	77.56	89.12	98.57	111.27	109.21	102.04	107.61	109.50	103.34	77.80	99.56	73.50	75.87	73.16	57.75	70.07	<b>60-63</b>	<b>60-66</b>	<b>58-68</b>	<b>59-69</b>	<b>59-66</b>		
Choice slaughter lambs, San Angelo, \$/cwt	107.53	91.72	94.26	150.97	111.12	166.69	148.99	156.02	162.69	158.60	147.17	140.09	146.23	142.52	144.00	133.33	136.15	137.52	131.88	134.72	<b>134-137</b>	<b>127-133</b>	<b>127-137</b>	<b>127-133</b>	<b>129-136</b>		
Nat'l base cost, 51-52 % lean, live equivalent, \$/cwt	59.03	65.46	70.59	61.11	64.05	68.69	85.40	83.30	66.74	76.03	48.47	53.20	54.59	44.66	50.23	44.63	53.71	49.26	37.02	46.16	<b>50-51</b>	<b>45-47</b>	<b>43-47</b>	<b>36-38</b>	<b>43-46</b>		
Broilers, 12 City, cents/lb	103.50	108.60	93.90	92.80	99.70	98.40	113.70	104.60	102.80	104.90	97.00	104.20	83.70	77.20	90.50	84.60	93.00	81.7	78.00	84.30	<b>85-86</b>	<b>86-90</b>	<b>83-89</b>	<b>81-87</b>	<b>83-89</b>		
Turkeys, Eastern, cents/lb	96.00	97.70	99.90	105.40	99.80	100.70	105.60	110.20	113.90	107.60	99.60	108.50	126.40	130.10	116.20	114.70	116.50	120.7	116.60	117.10	<b>99-102</b>	<b>101-107</b>	<b>104-112</b>	<b>109-119</b>	<b>103-110</b>		
Eggs, New York, cents/doz.	126.90	109.90	119.00	143.00	124.70	142.70	134.60	129.30	162.70	142.30	146.90	170.30	235.70	174.10	181.80	121.50	67.90	71.60	81.70	85.70	<b>80-81</b>	<b>83-87</b>	<b>88-96</b>	<b>101-109</b>	<b>88-93</b>		
<b>U.S. trade, million lb</b>																											
Beef & veal exports	557	636	716	680	2,588	583	667	679	643	2,572	523	607	542	594	2,265	534	621	659	736	2,550	<b>635</b>	<b>680</b>	<b>710</b>	<b>700</b>	<b>2,725</b>		
Beef & veal imports	590	629	515	516	2,250	597	767	765	818	2,947	878	990	890	613	3,371	793	832	751	640	3,016	<b>700</b>	<b>795</b>	<b>665</b>	<b>575</b>	<b>2,735</b>		
Lamb and mutton imports	49	44	36	44	173	46	49	45	55	195	53	56	46	59	214	68	55	41	52	216	<b>62</b>	<b>53</b>	<b>46</b>	<b>56</b>	<b>217</b>		
Pork exports	1,216	1,225	1,205	1,341	4,986	1,399	1,342	1,146	1,205	5,092	1,223	1,338	1,173	1,274	5,009	1,223	1,320	1,236	1,454	5,233	<b>1,400</b>	<b>1,385</b>	<b>1,335</b>	<b>1,550</b>	<b>5,670</b>		
Pork imports	208	210	229	233	880	213	241	257	301	1,011	279	266	270	300	1,116	293	257	266	276	1,092	<b>270</b>	<b>245</b>	<b>255</b>	<b>275</b>	<b>1,045</b>		
Broiler exports	1,752	1,865	1,855	1,874	7,345	1,827	1,834	1,858	1,779	7,298	1,624	1,713	1,487	1,496	6,321	1,573	1,607	1,736	1,731	6,647	<b>1,660</b>	<b>1,730</b>	<b>1,765</b>	<b>1,770</b>	<b>6,925</b>		
Turkey exports	175	179	192	195	741	159	182	215	219	775	148	123	125	132	529	115	140	160	153	568	<b>140</b>	<b>150</b>	<b>165</b>	<b>175</b>	<b>630</b>		
Live swine imports (thousand head)	1,326	1,285	1,223	1,113	4,948	1,195	1,216	1,264	1,272	4,947	1,309	1,541	1,371	1,519	5,740	1,475	1,405	1,375	1,414	5,669	<b>1,400</b>	<b>1,400</b>	<b>1,480</b>	<b>1,470</b>	<b>5,750</b>		

Note: Forecasts are in bold.

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

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

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Updated 3/13/2017

## Dairy Forecasts

	2015	2016					2017				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thousands)	9,314	9,312	9,323	9,331	9,344	9,328	9,365	9,375	9,385	9,400	9,380
Milk per cow (pounds)	22,396	5,691	5,828	5,636	5,620	22,775	5,750	5,945	5,750	5,740	23,185
<b>Milk production (billion pounds)</b>	<b>208.6</b>	<b>53.0</b>	<b>54.3</b>	<b>52.6</b>	<b>52.5</b>	<b>212.4</b>	<b>53.8</b>	<b>55.7</b>	<b>54.0</b>	<b>54.0</b>	<b>217.5</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	207.6	52.8	54.1	52.3	52.3	211.5	53.6	55.5	53.7	53.7	216.5
<b>Milk-fat (billion pounds milk equiv.)</b>											
Milk marketings	207.6	52.8	54.1	52.3	52.3	211.5	53.6	55.5	53.7	53.7	216.5
Beginning commercial stocks	11.2	13.3	15.6	18.0	16.6	13.3	14.0	15.2	17.2	16.0	14.0
Imports	5.7	2.1	1.6	1.7	1.6	7.0	1.7	1.6	1.6	1.8	6.6
Total supply	224.6	68.2	71.3	72.0	70.5	231.8	69.3	72.3	72.5	71.5	237.2
Commercial exports	8.8	2.2	2.2	2.2	2.5	9.2	2.0	2.1	2.1	2.0	8.3
Ending commercial stocks	13.3	15.6	18.0	16.6	14.0	14.0	15.2	17.2	16.0	14.3	14.3
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	202.5	50.4	51.1	53.3	53.9	208.6	52.1	53.0	54.4	55.2	214.6
<b>Skim solids (billion pounds milk equiv.)</b>											
Milk marketings	207.6	52.8	54.1	52.3	52.3	211.5	53.6	55.5	53.7	53.7	216.5
Beginning commercial stocks	13.1	13.9	14.7	15.3	14.9	13.9	14.7	14.0	14.4	14.2	14.7
Imports	6.0	1.6	1.6	1.6	1.7	6.5	1.5	1.5	1.5	1.6	6.2
Total supply	226.7	68.3	70.4	69.2	68.9	231.9	69.8	71.0	69.7	69.5	237.4
Commercial exports	37.3	8.5	9.7	10.2	10.4	38.9	9.7	10.0	10.2	9.9	39.8
Ending commercial stocks	13.9	14.7	15.3	14.9	14.7	14.7	14.0	14.4	14.2	14.5	14.5
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	175.5	45.1	45.4	44.0	43.8	178.3	46.1	46.6	45.3	45.1	183.1
<b>Milk prices (dollars/cwt) <sup>1</sup></b>											
All milk	17.12	15.70	14.77	16.83	17.67	16.24	18.15	17.10	17.65	18.15	17.80
							-18.35	-17.60	-18.45	-19.15	-18.40
Class III	15.80	13.75	13.20	16.18	16.33	14.87	16.45	16.35	16.80	16.70	16.60
							-16.65	-16.85	-17.60	-17.70	-17.20
Class IV	14.35	13.18	13.18	14.58	14.13	13.77	15.40	14.55	14.75	14.55	14.85
							-15.70	-15.15	-15.65	-15.65	-15.55
<b>Product prices (dollars/pound) <sup>2</sup></b>											
Cheddar cheese	1.645	1.517	1.454	1.735	1.714	1.605	1.640	1.615	1.660	1.650	1.645
							-1.660	-1.665	-1.740	-1.750	-1.705
Dry whey	0.380	0.243	0.252	0.288	0.366	0.288	0.475	0.505	0.505	0.505	0.495
							-0.495	-0.535	-0.535	-0.535	-0.525
Butter	2.067	2.067	2.080	2.206	1.958	2.078	2.180	2.110	2.115	2.085	2.120
							-2.220	-2.190	-2.225	-2.215	-2.210
Nonfat dry milk	0.902	0.766	0.760	0.860	0.931	0.829	0.970	0.900	0.920	0.915	0.925
							-0.990	-0.940	-0.980	-0.985	-0.975

Totals may not add due to rounding.

<sup>1</sup> Simple averages of monthly prices. May not match reported annual averages.

<sup>2</sup> Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly U.S. Dept. of Agriculture *National Dairy Products Sales Report*.

Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service, Agricultural Marketing Service, Foreign Agricultural Service, and World Agricultural Outlook Board.

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