



Economic Research Service

Situation and Outlook

LDP-M-274

April 17, 2017

Livestock, Dairy, and Poultry Outlook

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Early 2017 Variability in Food Animal Weights and Average Milk Production Per Cow

Weights of food animals and milk per cow for dairy animals vary by season and according to market conditions faced by producers. Hog and cattle producers likely marketed animals at a more rapid pace in response to favorable first-quarter hog and fed cattle prices. For broilers, lower weights may have been caused, in part, by quality concerns in larger birds. Average milk per cow peaks in the spring, declines in the summer, and reaches a low point in the fall. It has been robust so far in 2017 as favorable milk-feed price ratios have likely supported feeding higher quality rations.

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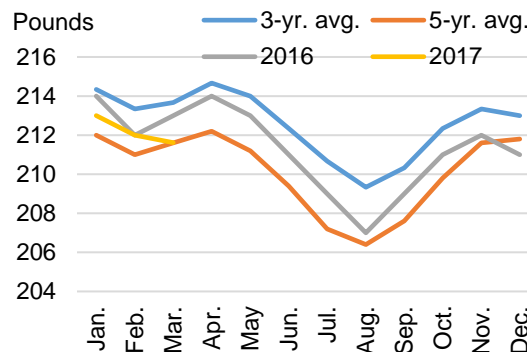
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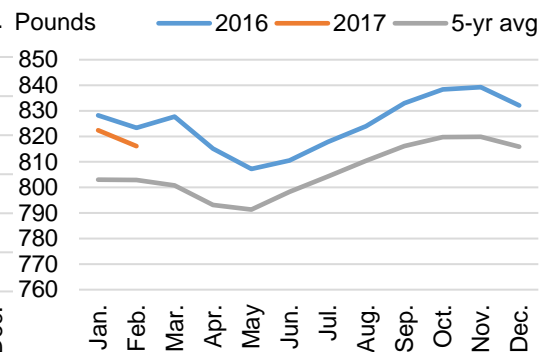
Approved by the World Agricultural Outlook Board.

Hogs, dressed weights



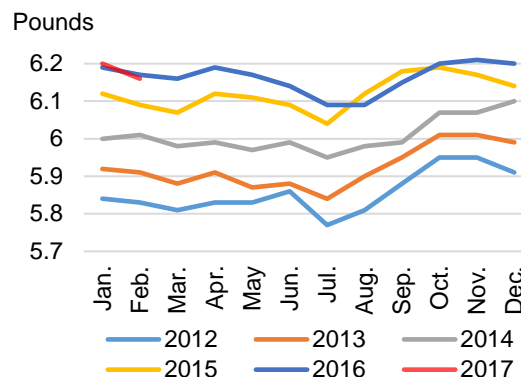
Source: National Agricultural Statistics Service, U.S. Dept. of Agriculture.

Cattle, dressed weights



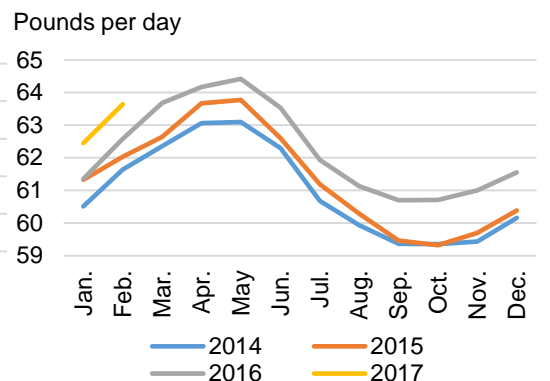
Source: National Agricultural Statistics Service, U.S. Dept. of Agriculture.

Broilers, live weights at slaughter



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

Daily average milk yield per cow



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

Cattle/Beef: Beef production is forecast higher on greater cumulative slaughter volumes and slightly heavier dressed weights. February 2017 also saw an increase in the pace of live cattle imports from Mexico and Canada. February beef imports were more than 14 percent lower than a year ago, while beef exports increased 19 percent.

Dairy: In the face of recent dairy product price weakness, high February ending stocks, and lower expected domestic commercial use, price forecasts for dairy products and milk have been lowered. The all-milk price forecast for 2017 is \$17.40-\$17.90 per cwt, a decrease from \$17.80-\$18.40 projected last month.

Pork/Hogs: March 1 hog and pig inventories reported by USDA in the *Quarterly Hogs and Pigs* report suggest strong increases in second-half pork production. Hog prices are expected to be \$43-\$47 per cwt in the third quarter and \$36-\$38 per cwt in the fourth quarter. Exports in February were muscular, at more than 450 million pounds, 16 percent higher than a year ago. Almost one-third of February exports went to Mexico.

Sheep/Lamb: Despite tight domestic supplies, lamb and mutton prices remain fairly stable, showing only slight increases leading up to the Easter and Passover holidays. Lamb production remains below year-earlier levels, but it appears that much of the shortfall in production will be made up with increased imports.

Poultry: February broiler production and exports increased from last year, and higher-than-expected prices in late-March led to upward revisions for the price forecast. February egg production and exports were higher than last year, and a robust price increase was in line with seasonal expectations. Turkey production remained slightly above 2016 levels in February, with 458 million pounds produced. Year-to-date production is now 3 percent above a year earlier. The forecast for 2017 first-quarter production was revised upward to 1.475 billion pounds, bringing the full year's forecast to 6.110 billion pounds, a 2-percent increase over 2016.

Demand Strength Seen Across the Cattle Complex

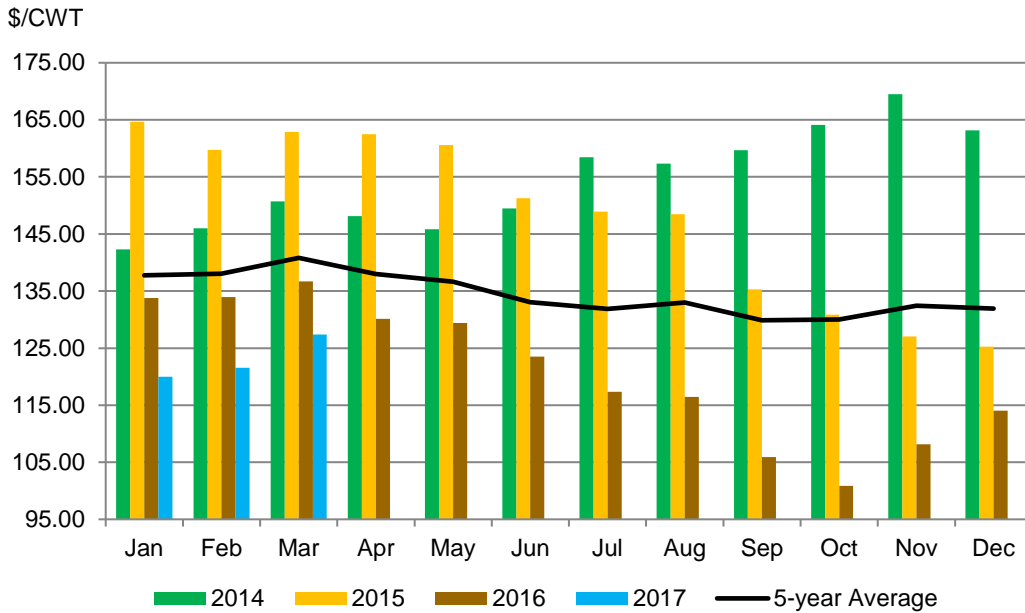
Thus far in 2017, a larger portion of U.S. winter wheat area was under moderate or more intense drought conditions than in 2016. Along with lower prices for wheat, the situation likely provides an option for producers to graze-out wheat pastures for backgrounding. To the extent that demand for calves to graze out these areas increases, prices of lighter-weight calves may find support. However, the timing of movement of these calves off pasture and into feedlots will likely impact both the level of placements and the price of heavier-weight calves in the coming months.

Feeder and fed cattle prices were supported by relatively strong demand during the first quarter, but packer demand has likely weakened as margins have been squeezed by weakening wholesale prices. The timing of beef sales ahead of grilling season may influence packer demand during the quarter, but second-quarter steer and heifer slaughter will likely reflect the marketing of the large number of cattle placed on feed in late 2016. Weekly dressed weights for cattle during March were slightly higher than previously expected and second quarter carcass weights were raised, helping to support an increased forecast of commercial beef production in the first half of 2017.

Wholesale beef cutout values strengthened toward the end of the first quarter; however, this is not surprising, given the tendency for both Choice and Select beef cutouts to gain momentum heading into the spring grilling season, when the market transitions from lower-valued end cuts to more expensive middle meat cuts. The weekly boxed beef cutout data ([USDA AMS report LM XB459](#)) reports choice cutout values that advanced from mid-February's low of \$188.93 to \$223.12 per cwt on March 24, with Select cutout values also gaining impressively over the period. However, wholesale beef prices have declined since the last week of March.

The gains in the boxed beef cutout values through late-March are the result of significant gains in beef middle meats (i.e., the rib and loin primals). However, boxed beef cutout values began showing signs of weakness in late-March, squeezing packer margins and likely pressuring fed cattle prices. The first quarter 5-area weighted steer price averaged \$122.96 per cwt. The 5-area weekly weighted steer price has weakened from \$127.38 during the last week of March to \$124.33 per cwt in early April. Beef packers appear to be backing off recent higher prices for fed cattle. Fed steer prices reached \$132 per cwt in the third week of March before declining to average \$124 per cwt in the first week of April. Fed cattle prices in the second quarter are forecast to average \$117-\$121 per cwt, pressured by large supplies of cattle available for slaughter from late-2016 and early-2017 feedlot placements.

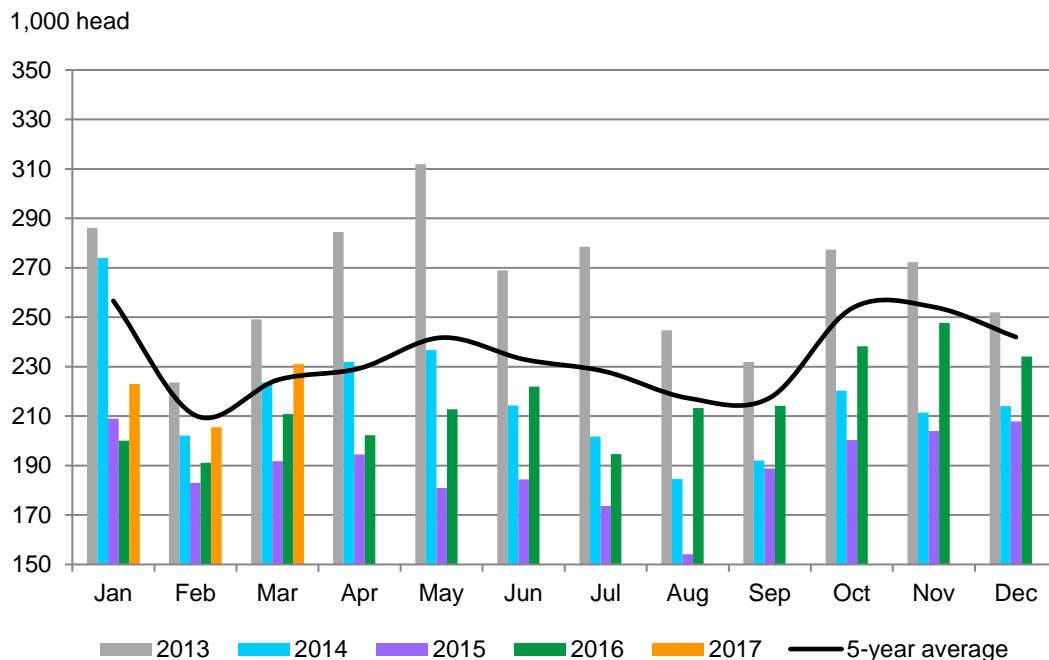
Average monthly prices of 5-area fed steers



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

Estimated federally inspected weekly total cow slaughter for the first quarter was up about 5 percent compared to the same period in 2016. Beef cow slaughter is almost 10 percent higher year-over-year. However, cow slaughter as a proportion of the January 1 beef cow herd is only slightly higher than 2016, but below the average for 2012-2016, a period which included drought-induced liquidation. First-quarter prices for cutter cows were estimated at \$62.63 per cwt, and prices for the remaining quarters for 2017 are likely to tick higher. Second-quarter cutter cow prices are forecast to average \$63-\$66 per cwt.

Commercial beef cow slaughter



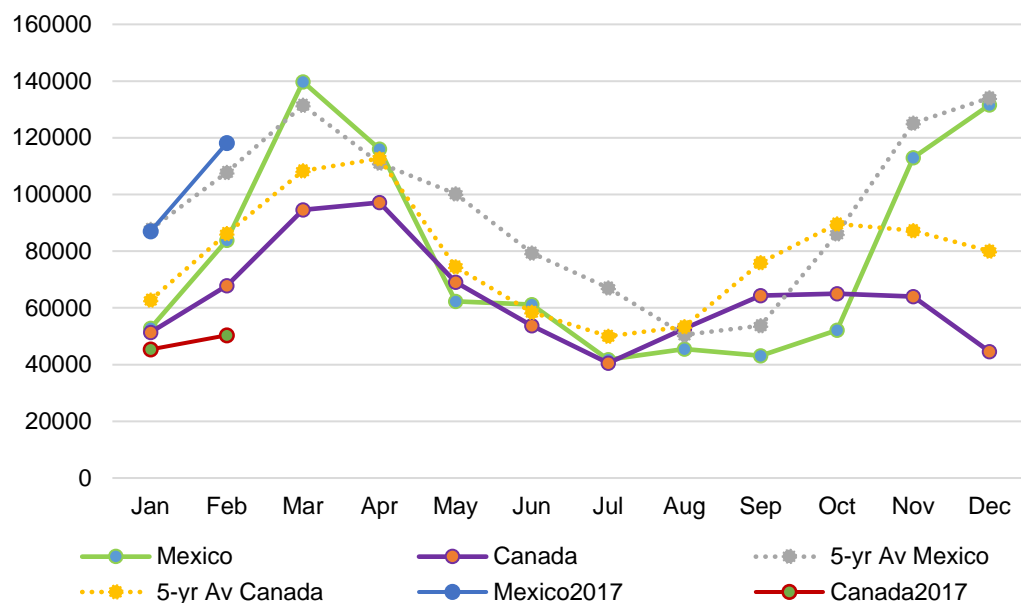
Source: NASS, U.S. Dept. of Agriculture.

Mexican Feeder Cattle Imports Continue To Show Strength

In February 2017, U.S. live cattle imports increased by 27 percent from the previous month to 168,473 head, 11 percent up from the same period a year ago. More than 85 percent of the feeder cattle imported from Mexico were in the 400- to 700-pound weight range, while almost all of the feeder cattle imported from Canada were over 700 pounds. For most of 2016, there was not a large difference between the number of cattle imported from Mexico and Canada but since November 2016, live cattle imports from Mexico have been significantly higher than imports from Canada. January and February imports from Mexico were above the 5-year average, while imports from Canada were below it. The strength of the U.S. Dollar relative to the Mexican Peso and a rebuilding of the Mexican herd are likely contributing factors to this uptick in imports from Mexico.

Mexican Feeder Cattle Continue to Dominate U.S. Live Cattle Imports

Cattle head



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

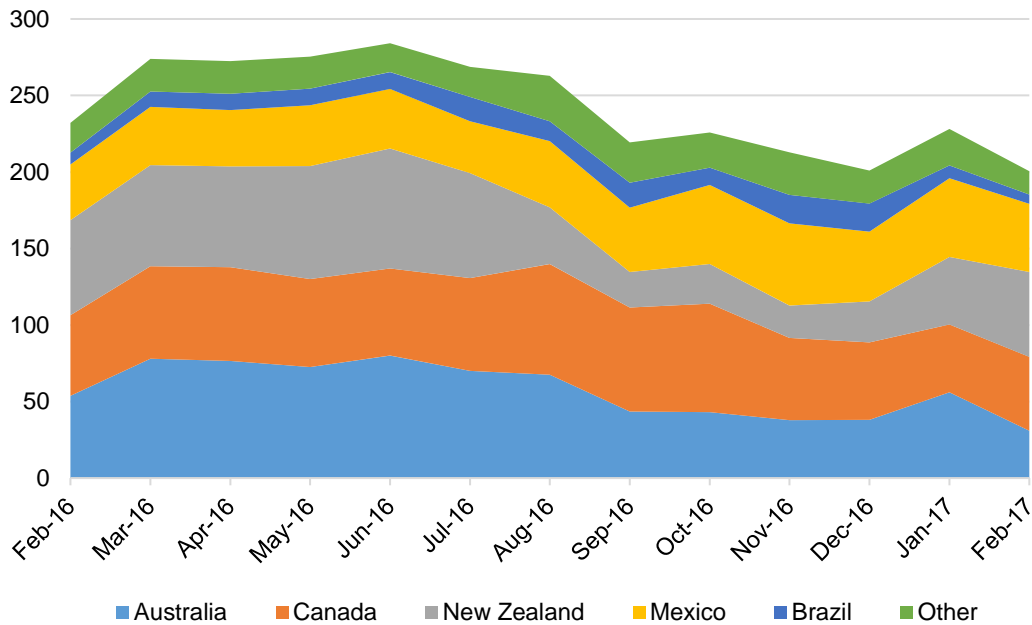
In February 2017, U.S. live cattle exports were up 66 percent from a year ago to 8,299 head; however, volume was down 36 percent from January. Mexico and Canada were the primary export destinations, responsible for 80 percent of total U.S. live cattle exports. February U.S. live cattle exports to Mexico declined sharply (69 percent) from the previous month to 1,049 head, 57 percent lower than the same month a year ago.

U.S. Beef Imports Expected to Decline in First Quarter 2017

In February 2017, the United States imported 200.5 million pounds of beef 14 percent below a year ago. This is likely due to lower supplies in several key importing countries coupled relatively large supplies of processing-grade beef in the United States. New Zealand, Canada, Mexico, Australia, and Nicaragua were the top five suppliers, accounting for 93 percent of total U.S. beef imports in February 2017. U.S. imports from Australia declined 42 percent from year-earlier levels, likely due to continuing herd rebuilding in Australia. Imports from Canada also declined by 9 percent to 6 million pounds in February from the previous month, and imports from New Zealand declined by 11 percent to 44.5 million pounds from last year. Some of the declines were offset by 22 percent higher imports from Mexico. First-quarter 2017 U.S. beef imports are estimated at 685 million pounds, a 14-percent year-over-year decline.

Beef Imports at 13-Month Lows

Import, million pounds



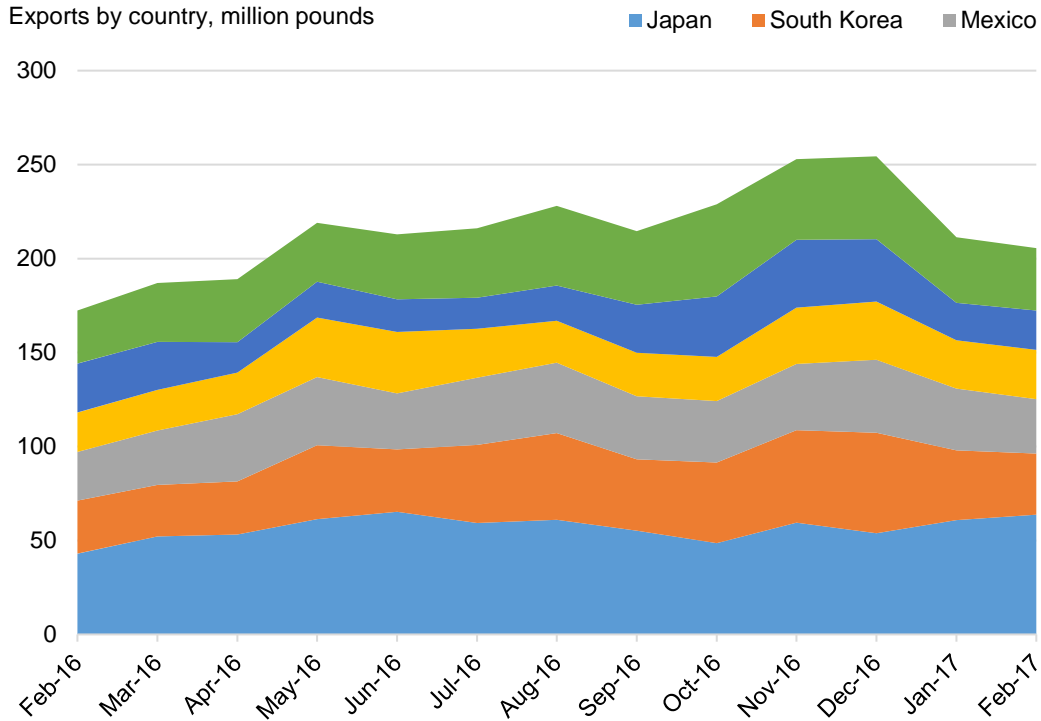
Source: Economic Research Service, U.S. Dept. of Agriculture.

Lower U.S. Beef Prices Bolster Year-over-Year Increase in Exports

Increased domestic supplies have dampened U.S. beef prices, which continue to make U.S. beef exports more competitive. In February 2017, U.S. beef exports increased by 19.3 percent from the same period a year ago to 205.5 million pounds. The United States exported about 84 percent of February's volume to Japan, South Korea, Mexico, Canada, and Hong Kong. Each market saw double-digit percentage-point increases year-over-year for February except for Hong Kong, which imported 19.2 percent less.

U.S. beef exports continue to shine

Exports by country, million pounds



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

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Recent Developments in Dairy Markets

Wholesale prices for most dairy products, as reported in the USDA *National Dairy Products Sales Report* (NDPSR), declined from the week ending March 4 to the week ending April 8. The largest declines were for cheddar cheese, with 40-pound blocks and 500-pound barrels (adjusted to 38-percent moisture) falling by \$0.172 and \$0.204 per pound, respectively. The nonfat dry milk (NDM) price fell by \$0.102 per pound, and the butter price declined by \$0.027. The dry whey price was the exception, increasing by \$0.022 per pound.

Dairy product prices (dollars per pound)

	For the week ending		Change
	March 4	April 8	
Butter	2.155	2.128	-0.027
Cheddar cheese			
40-pound blocks	1.637	1.465	-0.172
500-pound barrels ¹	1.656	1.452	-0.204
Nonfat dry milk	0.927	0.825	-0.102
Dry whey	0.512	0.534	0.022

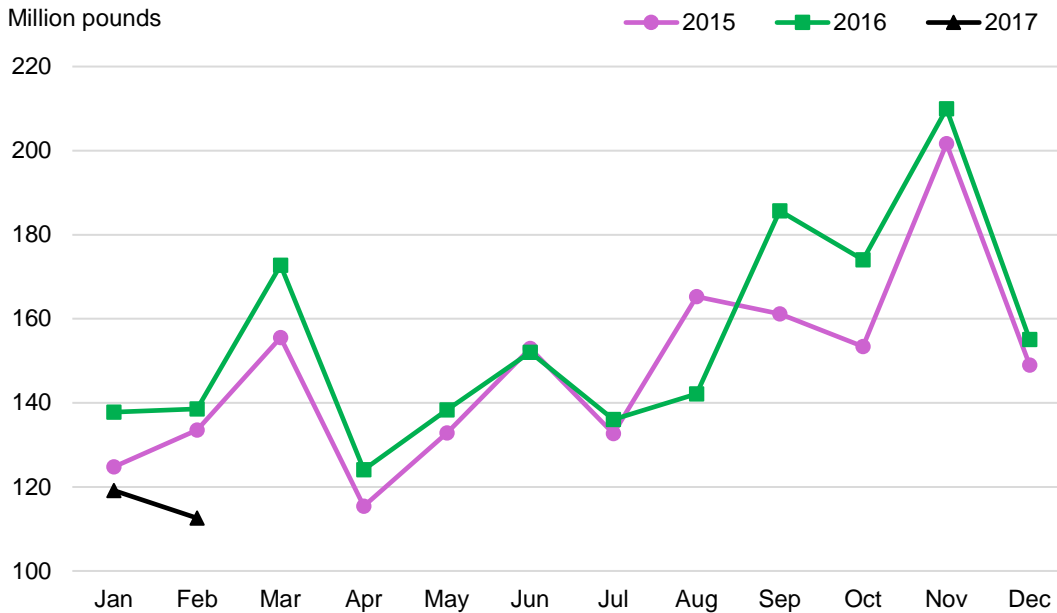
¹Adjusted to 38-percent moisture.

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

Calculated domestic use was weak in February compared to February 2016; adjusted for leap year, it was considerably lower for butter, NDM, cheese, and dry whey. The timing of holiday buying for Easter may have contributed to the decline; Easter was April 16 this year, but it was March 27 in 2016. Note that commercial disappearance is an imperfect proxy for consumption—it is estimated using data collected from different sources that have some inconsistencies, and there is no accounting for changes in pipeline stocks.¹ Thus, it may be more informative to examine the 3 most recent months for which there is data. For December through February, year-over-year domestic commercial disappearance (adjusted for leap year) declined 8.7 percent for butter, 9.6 percent for NDM, and 15.8 percent for dry whey, and it was about the same for cheese. Higher wholesale dairy product prices compared to December-February of the previous year likely contributed to relatively low commercial use.

¹ Pipeline stocks are goods that have been shipped out of the warehouse but have not yet been bought by ultimate consumers and are, therefore, still in the distribution “pipeline.”

Domestic commercial disappearance of butter (adjusted to 30-day months)



Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service, Farm Service Agency, Foreign Agricultural Service, and Economic Research Service calculations; and U.S. Dept. of Commerce, Bureau of the Census.

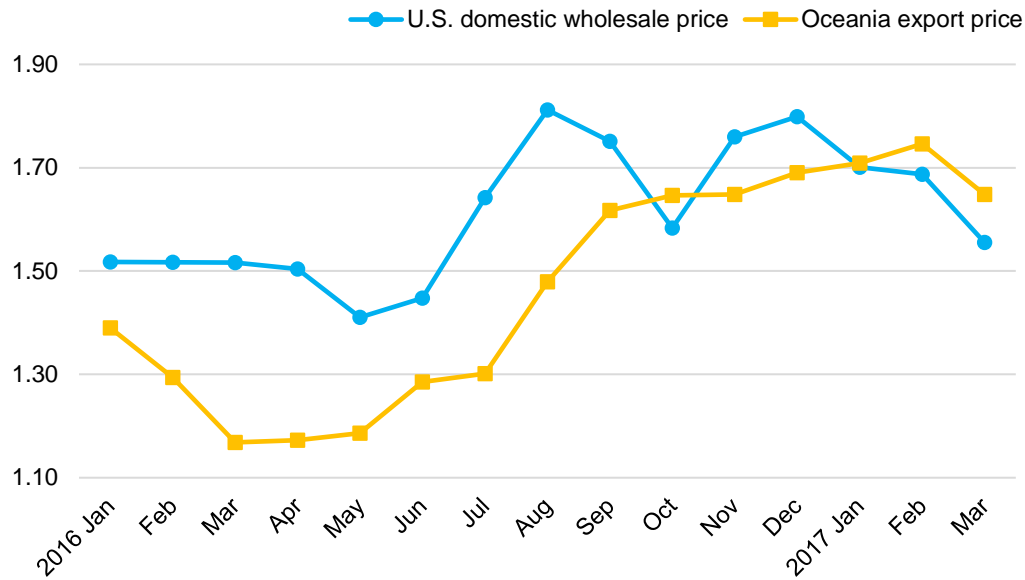
February milk production totaled 16.7 billion pounds, 2.3 percent above February 2016, adjusted for leap year. Milk cows numbered 9.367 million head, 4,000 head more than January 2017. Production per cow in the United States averaged 63.6 pounds per day for February, 1.7 percent above the previous year. While this is a significant increase in yield, it is notable that the year-over-year rate of increase has slowed each month since October, when milk per cow was 2.3 percent over the previous year.

February imports on a milk-fat basis were 95 million pounds less than January 2017 and 229 million pounds less than February 2016. On a skim-solids basis, February imports were down 44 million pounds from January 2017 but were up 52 million pounds from February 2016. Notably, February cheese imports were lower than the previous month and the previous year.

February exports on a milk-fat basis were 43 million pounds more than January 2017 but 125 million pounds less than February 2016. On a skim-solids basis, February exports were 89 million pounds more than January 2017 and 395 million pounds more than February 2016. Notably, February exports of NDM and cheese were higher than the previous month and the previous year. Exports of NDM to Mexico were 56.3 million pounds in February, a 34-percent increase over January 2017 and the highest volume since October 2015.

Changing price relationships have likely contributed to the increase in cheese exports and the decrease in cheese imports, as U.S. wholesale domestic prices have declined relative to foreign export prices. U.S. domestic prices for butter and NDM have also become more competitive with foreign export prices in recent months.

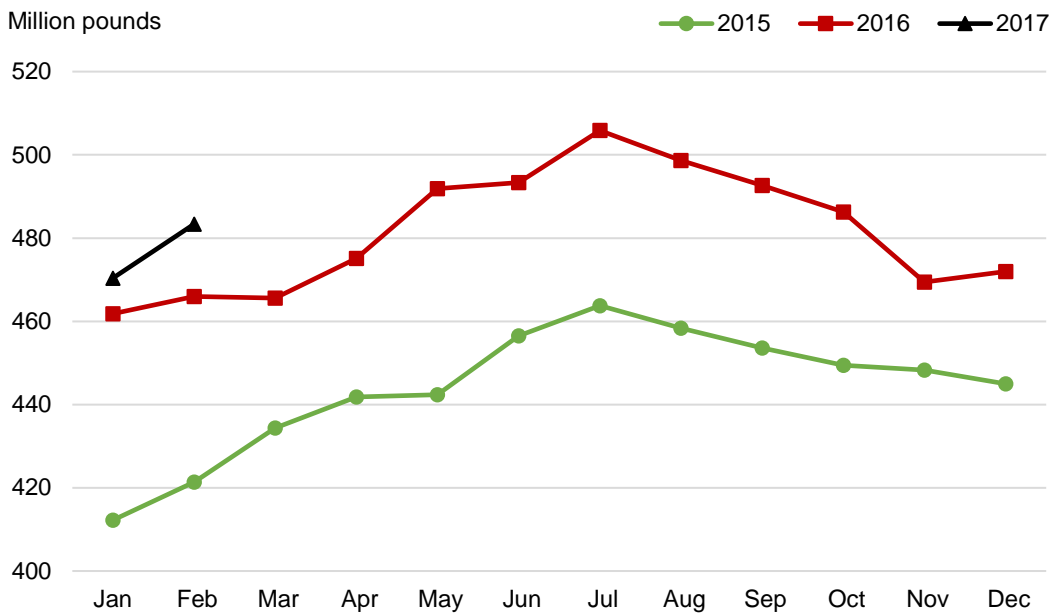
Prices for cheddar cheese, United States and Oceania ¹



¹ Oceania includes New Zealand and Australia.
Source: U.S. Dept. of Agriculture, Agricultural Marketing Service.

With continued strength in milk production and relative weakness in domestic use, February ending stocks climbed for major products, with year-over-year increases for butter (+20.0 percent), NDM (+19.9 percent), American-type cheese (+8.1 percent), and Other-than-American cheese (+3.7 percent).

Butter ending stocks in cold storage



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

Dairy Forecasts for 2017

Based on recent milk production data, the milk cow estimate has been raised to 9.385 million head, 5,000 higher than last month's forecast, and the milk per cow estimate is now expected to be 35 pounds lower for the year, at 23,150 pounds per cow. With these changes, the milk production forecast for 2017 is now 217.3 billion pounds, 0.2 billion pounds lower than last month.

Feed prices are still expected to be relatively low. The 2016-17 corn price is \$3.25-\$3.55 per bushel, unchanged from last month's forecast at the midpoint, and the soybean meal price forecast is \$310-\$330 per short ton, \$10 less than last month's forecast at the high end of the price range. The alfalfa hay price in February was \$129 per short ton, \$1 higher than January but \$8 lower than February of last year.

The domestic use forecast on a milk-fat basis for 2017 has been reduced 0.6 billion pounds to 214.0 billion, reflecting weaker expected domestic use of butter and cheese. With lower cheese imports in February and more competitive domestic prices expected for both cheese and butter, the 2017 forecast for imports on a milk-fat basis is 6.3 billion pounds, 0.3 billion pounds lower than projected last month. Based on recent data, the forecast for exports on a milk-fat basis has also been lowered slightly to 8.2 billion pounds for the year. With the recent rise in stocks of butter and cheese and lower expectations for domestic use, the projection for ending stocks on a milk-fat basis is 14.4 billion pounds for the year, 0.1 billion pounds more than last month's forecast.

The domestic use forecast on a skim-solids basis for 2017 has been reduced 0.2 billion pounds to 182.9 billion, reflecting weaker expected domestic use of NDM and cheese. Imports on a skim-solids basis are forecast 0.2 billion pounds higher than last month, at 6.4 billion pounds for the year, due to higher expected imports of milk protein products and other miscellaneous products. The forecast for skim-solids exports has also been increased slightly to 39.9 billion pounds for the year, as domestic prices for NDM have become more competitive and exports have recently increased. With the increase in ending stocks for February and lower expected domestic use, the forecast for ending stocks in 2017 has been raised 0.2 billion pounds to 14.7 billion.

Forecasts for all of the dairy product prices have been lowered from last month. In the face of recent dairy product price weakness, high February ending stocks, and lower expected domestic commercial use, 2017 price forecasts for cheese, butter, and NDM have been lowered to \$1.600-\$1.650, \$2.120-\$2.200, and \$0.865-\$0.905 per pound, respectively. The relatively low NDM price may put downward pressure on dry whey prices since the products are substitutable for some purposes; therefore, the 2017 dry whey price forecast has been lowered slightly to \$0.490-\$0.520 per pound. As a result of lower dairy product prices, the Class III and IV milk price forecasts have been lowered to \$16.10-\$16.60 and \$14.30-\$14.90 per cwt. respectively. With these changes, the all milk price estimate for the year is now \$17.40-\$17.90 per cwt, a decrease from \$17.80-\$18.40 projected last month.

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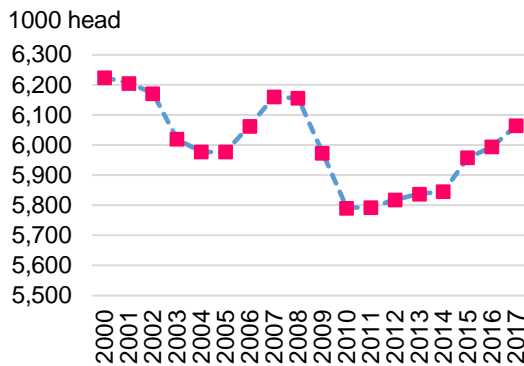
Pork / Hogs

More March 1st Hogs and Pigs Equal More Pork in 2017

The *Quarterly Hogs and Pigs* report, released by USDA on March 30, 2017 showed across-the-board year-over-year larger inventories of market hogs and breeding animals, both of which foreshadow larger second-half 2017 pork production. Larger December-February farrowings than indicated in the last report (3 percent more farrowings, versus 1 percent more in the December report) and the 4 percent larger December-February pig crop that resulted, together with continued-moderate increases in the breeding inventory, all occur in the context of prospective second-half 2017 increases in slaughter capacity in Midwestern States.

Several large packing plants are currently under construction, some of which are expected to begin operations later in 2017. In anticipation of additional slaughter capacity, hog producers appear to be extending an expansionary effort that began in 2011. Since then, the U.S. pork industry has added roughly 275 thousand animals to its breeding inventory. Over that same period, average litter rates increased from 9.78 to 10.5 pigs in 2016. With expanded breeding inventories and continued productivity increases, it is expected that third-quarter 2017 pork production will be 6.4 billion pounds, more than 5 percent higher than a year earlier. Fourth-quarter production is expected to be record-high at 7 billion pounds, even with an assumption of only moderate increases in dressed weights. Expectations for hog prices in the third and fourth quarters of 2017 anticipate the availability of some additional new slaughter capacity. Prices of 51-52 percent lean live equivalent hogs in the third quarter of 2017 are expected to be \$43-\$47 per cwt, almost 9 percent below a year earlier. Fourth quarter prices are expected to be \$36-\$38 per cwt, just slightly lower than prices in the fourth quarter of 2016.

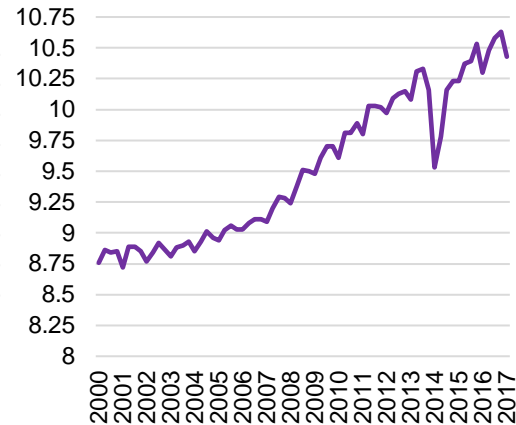
Average breeding inventory, 2000-2017*



*2017 average based on Dec. 1 and March 1 inventories.

Source: Nat'l. Agric. Statistics Service, U.S. Dept. of Agriculture.

Quarterly litter rates, 2000-March 2017



Source: Nat'l. Agric. Statistics Service, U.S. Dept. of Agriculture.

February Pork Exports Show Strong Year-Over-Year-Gains

U.S. pork exports in February were about 450 million pounds, more than 16 percent higher than a year earlier. The 10 largest buyers of U.S. pork in February are listed below. Standout export markets in February were Mexico (+24 percent over February 2016), Japan (+15 percent) and South Korea (+28 percent). Shares of total exports increased to Mexico and South Korea. Mexico accounted for 32.7 percent of U.S. exports in February compared with 30.6 percent a year ago. The share of total February exports going to South Korea increased from 9.1 percent last year to 10 percent in 2017.

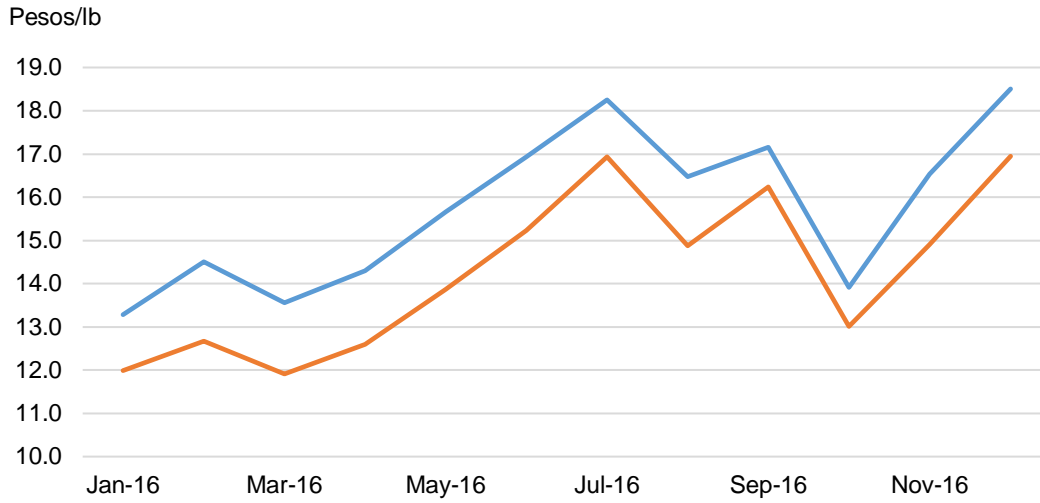
U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, February 2016, 2017

	Country	Exports Feb. 2016 (mil. lbs)	Exports Feb. 2017 (mil. lbs)	Percent change (2017/2016)	Export share 2016 %	Export share 2017 %
	World	386.8	450.2	16.4		
1	Mexico	118.2	147.1	24.4	30.6	32.7
2	Japan	88.9	102.2	15.0	23.0	22.7
3	South Korea	35.2	45.2	28.2	9.1	10.0
4	China/Hong Kong	46.2	44.6	-3.5	12.0	9.9
5	Canada	36.3	33.0	-9.0	9.4	7.3
6	Australia	14.9	22.6	51.2	3.9	5.0
7	Colombia	7.6	14.4	89.4	2.0	3.2
8	Dominican Republic	5.4	7.5	39.2	1.4	1.7
9	Honduras	6.8	6.8	-0.5	1.8	1.5
10	Philippines	5.8	5.1	-12.1	1.5	1.1

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

Although the United States is Mexico's primary source of imported pork, Canada—also a NAFTA partner—ranks second. Mexican import data indicate that in 2016, pork imports averaged 144 million pounds per month on a product-weight basis. The U.S. share of Mexican pork imports averaged 86 percent last year. Canada's share last year was about 14 percent. The figure below shows the unit values of Mexican pork imports from the U.S. and Canada. The lower unit value of Canadian pork products is likely an exchange rate phenomenon and may also be attributable to lower valued product mixes from Canada. Mexico also imports very small volumes from Spain, Denmark, and Chile. In *Livestock and Poultry: World Markets and Trade* <https://www.fas.usda.gov/data/livestock-and-poultry-world-markets-and-trade>, USDA forecasts that Mexican pork production will increase about 3 percent this year to just over 3 billion pounds. Mexico's pork imports in 2017 are expected to be more than 2.4 billion pounds, almost 8 percent above 2016.

Mexican pork imports: 2016 unit values of U.S. and Canadian pork products



Source: Global Trade Atlas Navigator.

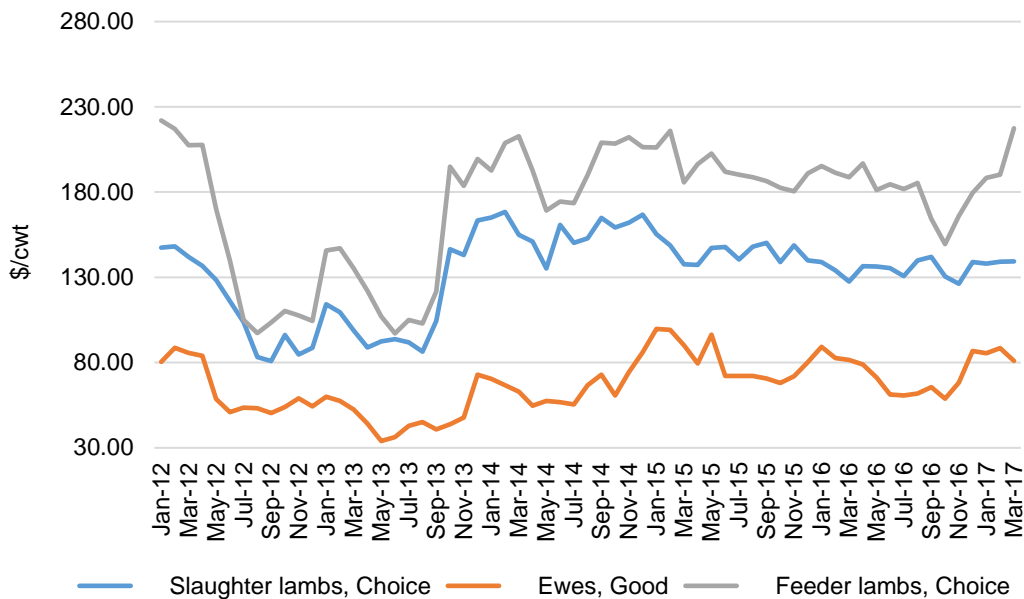
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Sheep / Lamb

First Quarter Lamb Prices Remain Relatively Flat

Despite tight domestic supplies, first-quarter 2017 lamb and mutton prices remain fairly stable in all segments of the market, showing only slight increases leading up to the Easter and Passover holidays. First-quarter Choice slaughter lamb prices at San Angelo, Texas averaged \$138.91 per cwt. March prices showed little change from the previous 2 months and averaged \$139.38 per cwt. However, in the ensuing months, continued tight supplies are expected to keep prices well above the 2016 levels. Second-quarter Choice slaughter lamb prices at San Angelo, Texas are expected to decline slightly due to softer demand leading into the summer and are forecast to average \$133-\$138 dollars per cwt and an annual forecast of \$133-\$139 dollars per cwt

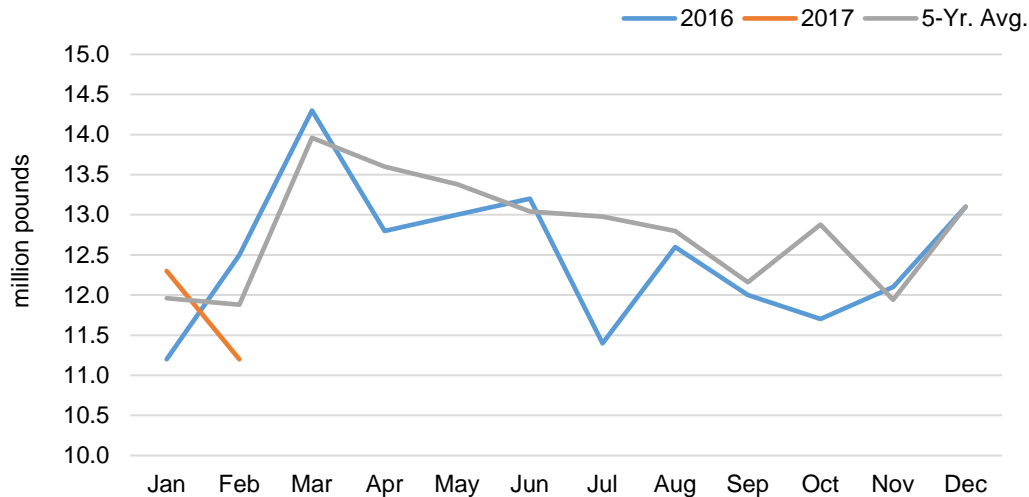
Sheep and lamb prices at San Angelo, Texas relatively flat



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

First-quarter 2017 commercial lamb and mutton production is expected to be 37 million pounds, 3 percent below year-earlier levels. Lamb and mutton production in January and February were 12.3 million pounds and 11.2 million pounds. The typical seasonal spike in domestic production to accommodate the robust Easter and Passover holiday demand began in late March due to the arrival of these holidays this year in the first part of April. Lamb and mutton production is often a good gauge of seasonal demand during this period. Production was fairly flat in the first 2 weeks of March but accelerated during the latter half. Federally inspected production in March is estimated at 12.8 million pounds. Second-quarter 2017 production is forecast at 38 million pounds, due largely to the expected strength in production the first 2 weeks of April in anticipation of holiday demands. However, production is expected to remain below 2016 for much of 2017 due to the limited number of market lambs.

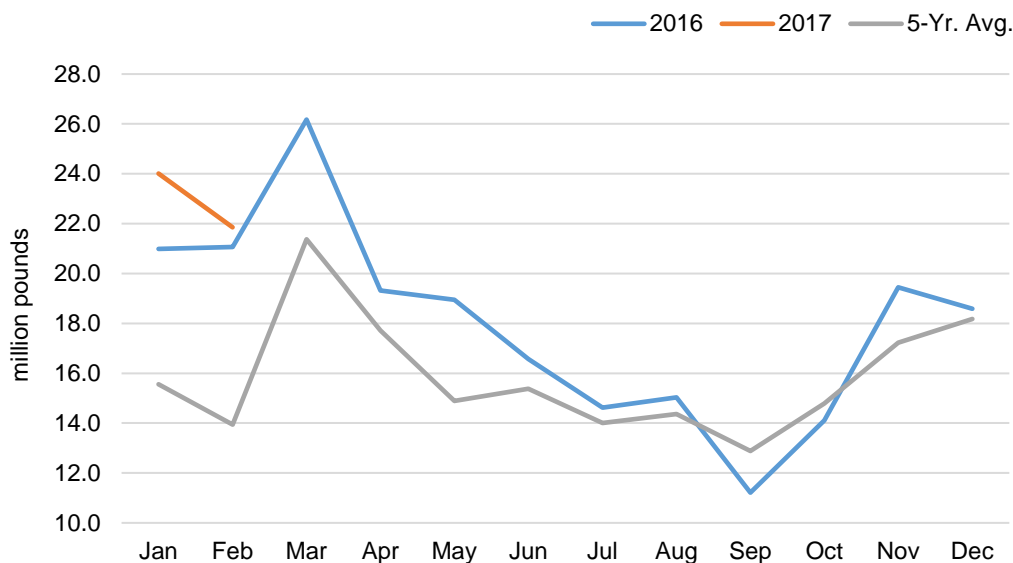
Commercial lamb and mutton production



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

Lamb and mutton imports also experienced a spike in preparation for the Easter/Passover holidays. So far for 2017, imports have been strong, buoyed in part by tight domestic supplies, and a relatively strong U.S. dollar. January and February imports were 24.0 million pounds and 21.9 million pounds, up 14 and 4 percent, respectively, from year-earlier levels and well above the 5-year average. Imports for March, the month preceding the Easter/Passover holidays this year, are also expected to be strong as distributors prepare for increased purchases during this period. Australia, New Zealand and Canada are the only suppliers of imported lamb so far this year, with Australia supplying about 75 percent, New Zealand nearly 25 percent and Canada less than 1 percent. First-quarter 2017 imports are expected to have been a record 72 million pounds, 6 percent above the same period last year.

Early strength in lamb and mutton imports



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

Lamb and mutton exports in February 2017 totaled 0.30 million pounds, a 10-percent increase from the same period in 2016. Exports were to 22 destinations, mainly in the Caribbean and Latin America. Mexico and the Bahamas were the top two destinations, with 40 and 14 percent, respectively. However, first-quarter 2017 exports are estimated at 2 million pounds, showing little change from the same period in 2016.

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Poultry

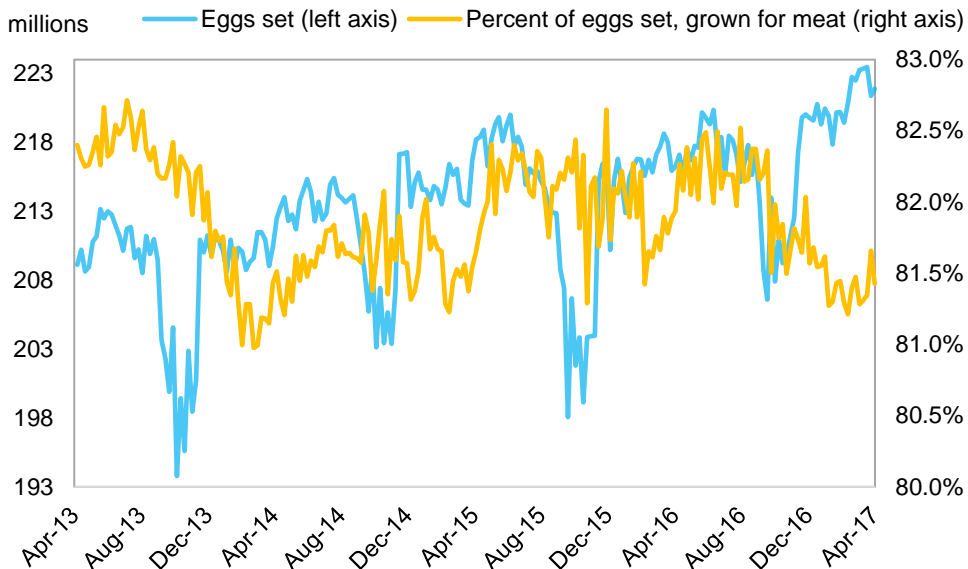
Broilers

More broiler eggs set in incubators, but a reduced fraction grown for meat since late 2016

February broiler meat production was 3.2 billion pounds, approximately 1.7 percent above last year on a per day basis. Average weights were marginally below a year earlier, representing only the third time since 2012 that weights failed to increase.¹ Preliminary data suggested that March 2017 production was higher than a year earlier.

Growth in the number of broiler eggs set in incubators has been relatively strong, increasing the potential number of birds produced. On a year-to-date basis, these egg sets were up 2.1 percent nationwide for the 13-week period ending April 1. The impact on broiler production may have been reduced, however, by a lower proportion of the hatched chicks being placed in facilities that grow broilers for meat. The figure below shows the contrasting trends of strong growth in broiler eggs set and the recent lower percentage grown for meat 3 weeks later (after the expected incubation period).

U.S. weekly eggs set and the estimated percent grown for meat, April 2013–April 2017



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

Broiler exports in February were 545 million pounds, up 2 percent from last year. Countries that contributed significantly to export growth included Angola, South Africa, Cuba, Kazakhstan, UAE, Chile, and Republic of the Congo; in aggregate, these countries averaged over 8 million pounds more than a year earlier.² Exports to South Africa totaled nearly 25 million pounds, easily surpassing the record level attained in recent months; the United States will likely fulfill its quota of approximately 143 million pounds for bone-in chicken well before the year concludes. Exports were lower to Mexico, Iraq, Turkey, Canada, Singapore, Libya, Afghanistan, and the Philippines, averaging 7 million fewer pounds per country.

¹ As discussed in recent newsletters, lower bird weights may result from quality concerns associated with 'wooden breast' myopathy in larger broilers.

² For more detail, please refer to ERS-published trade data: <https://www.ers.usda.gov/data-products/livestock-and-meat-international-trade-data/>

The United States confirmed a total of two cases of highly pathogenic avian influenza (HPAI) through its March reports to the OIE (World Organisation for Animal Health).³ These cases occurred in broiler breeder flocks in Tennessee and caused the loss of nearly 128 thousand birds. Nearly all trading partners that responded with trade restrictions imposed only limited restrictions on poultry and products from Tennessee, or from more limited areas, in the vicinity of avian influenza findings. Only a very small proportion of U.S. broiler meat would be affected by these restrictions.

Weekly prices for whole broilers (national composite) trended up relatively sharply in March, remaining above 98 cents for the weeks ending March 24 and March 31. This reflected a stronger-than-expected seasonal increase. The second-quarter 2017 forecast for the national composite was increased to 91-95 cents per pound, moving the annual forecast up to 86-90 cents per pound from 83-89 cents.

Higher prices were seen during March for most of the chicken parts that are tracked by USDA on the Northeast market, potentially representing strength in consumer demand. Boneless/skinless breasts appeared to lead the upward price shift by increasing nearly 15 cents during the period between the weeks ending February 17 and March 3. Adding another 7 cents during March, boneless/skinless breasts surpassed \$1.28 per pound for the week ending March 31.

Eggs and Egg Products

February table egg production totaled 590 million dozen, approximately 6.6 percent above last year on a per calendar-day basis (accounting for the leap year). The average number of layers in February was 317 million, up from 304 million a year earlier. Over 2.2 percent growth in the number of eggs produced per layer (per day) also contributed to the higher February production.

February egg and egg product exports were 24 million dozen (shell-egg equivalent), up 21 percent from last year. This year-over-year growth was led by larger shipments to South Korea, Italy, UAE, Denmark, Mexico, and Japan. Exports to Italy, totaling 1.3 million dozen (mostly dried products), were unexpected; the country typically receives only a marginal quantity. Dried egg exports were likely attributable to large U.S. supplies; as of February 28, the dried egg inventory was 23 million dozen (shell-egg equivalent), or 243 percent higher than a year ago.

Export growth was slowed somewhat by year-over-year declines to the Canadian and UK markets. While exports to the UK are often volatile, exports to Canada have been consistently weak, with January-February exports at the lowest level since 2012. The annual forecast of egg and egg product exports for 2017 was trimmed by 5 million dozen to 300 million dozen, with an expected growth rate of 7.4 percent over the previous year. March prices for large grade A eggs underwent a robust seasonal increase, reflecting demand ahead of the Easter holiday; however, price levels still remain low relative to recent years. The New York market was 94 cents per dozen for the period March 21 to April 7, up from an average of 72 cents per dozen for the 3 weeks ending March 17.

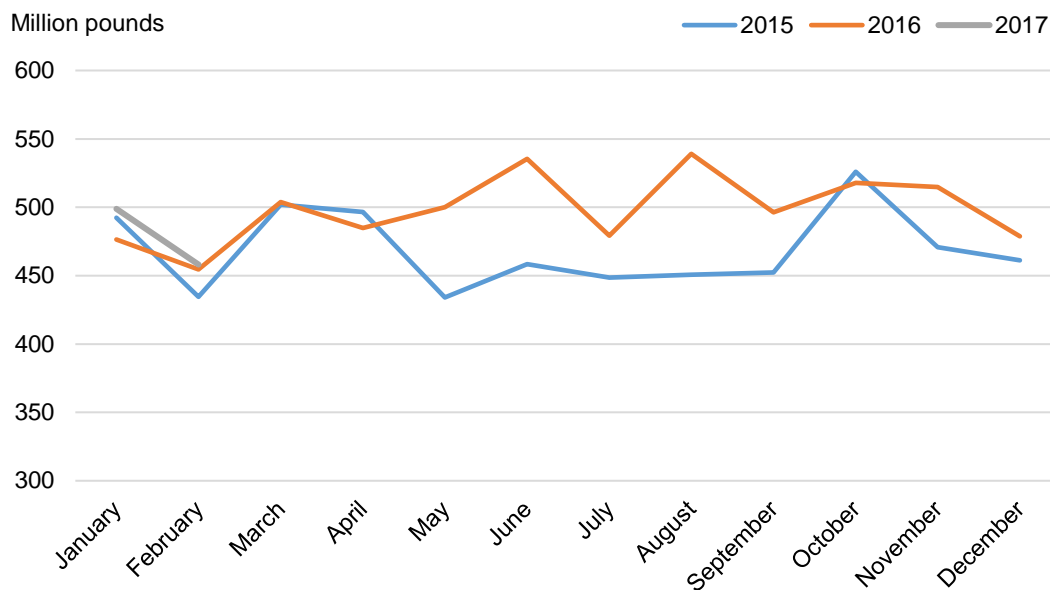
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³ For OIE documentation, see: <http://www.oie.int/animal-health-in-the-world/update-on-avian-influenza/2017/>

Turkey

Turkey production remained slightly above 2016 levels in February, with 458 million pounds. Production through February was about 3 percent above a year earlier. Hatchery data continue to show year-over-year growth in poult placement and hatching. The expectations for 2017 first-quarter production were increased to 1.475 billion pounds, bringing the full year's forecast up to 6.110 billion pounds, a 2-percent increase over 2016.

Monthly Turkey production

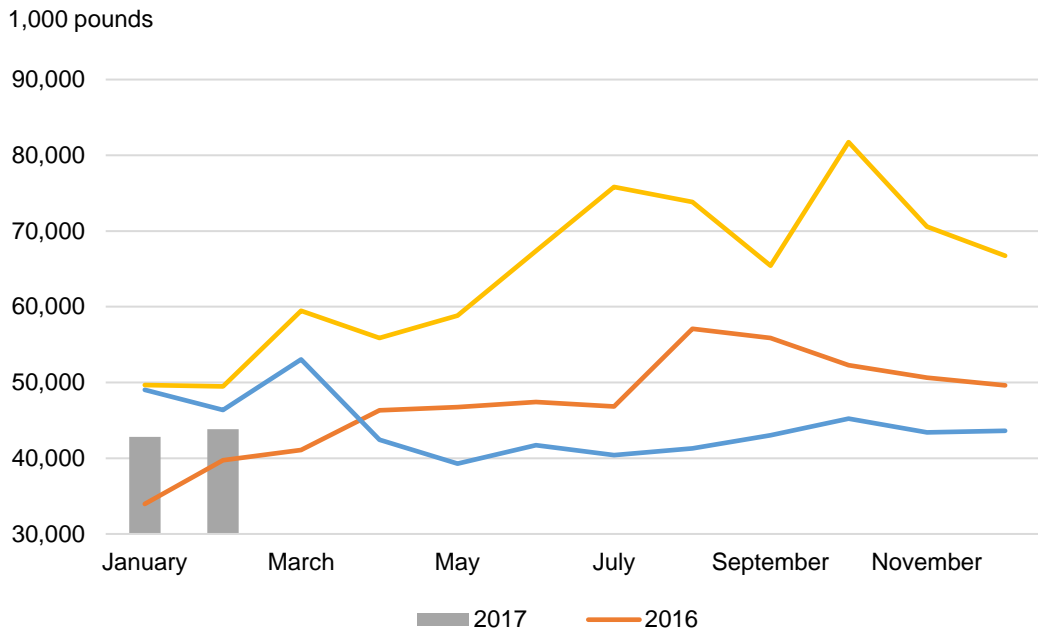


Source: U.S. Dept. of Agriculture, Economic Research Service Livestock and Meat Domestic data.

Wholesale prices for whole frozen hens remain down from a year earlier. In the first quarter of 2017, whole frozen hens averaged \$1.004 per pound, down 12 percent compared with the first quarter of 2016 but consistent with prices in the 4 years prior to 2016. For the year, turkey prices are forecast to average \$1.04 to \$1.09.

Exports in the first 2 months of 2017 are up significantly compared with early 2016, when lingering effects of highly pathogenic avian influenza (HPAI) and related trade restrictions continued to depress exports. Compared with early 2015 and 2014, exports remain below the levels prior to the outbreak. First-quarter 2017 exports are now expected to have totaled 135 million pounds, 5 million pounds less than last month's forecast. Total 2017 exports are forecast at 625 million pounds.

U.S. turkey meat exports



Source: U.S. Dept. of Agriculture, Economic Research Service Livestock and Meat International Trade Data.

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Dairy Data, <https://www.ers.usda.gov/data-products/dairy-data/>, includes data from multiple sources concerning supply, demand, and prices for the dairy industry.

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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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	9,370	9,380	9,390	9,405	9,385
Milk per cow (pounds)	22,397	5,691	5,828	5,636	5,620	22,775	5,730	5,940	5,745	5,735	23,150
Milk production (billion pounds)	208.6	53.0	54.3	52.6	52.5	212.4	53.7	55.7	53.9	53.9	217.3
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	53.5	55.5	53.7	53.7	216.3
Milk-fat (billion pounds milk equiv.)											
Milk marketings	207.6	52.8	54.1	52.3	52.3	211.5	53.5	55.5	53.7	53.7	216.3
Beginning commercial stocks	11.2	13.3	15.6	18.0	16.6	13.3	14.0	17.6	19.4	17.2	14.0
Imports	5.7	2.1	1.6	1.7	1.6	7.0	1.5	1.5	1.6	1.7	6.3
Total supply	224.6	68.2	71.3	72.0	70.5	231.8	69.0	74.6	74.7	72.6	236.6
Commercial exports	8.8	2.2	2.2	2.2	2.5	9.2	2.0	2.1	2.1	2.0	8.2
Ending commercial stocks	13.3	15.6	18.0	16.6	14.0	14.0	17.6	19.4	17.2	14.4	14.4
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	49.4	53.1	55.4	56.2	214.0
Skim solids (billion pounds milk equiv.)											
Milk marketings	207.6	52.8	54.1	52.3	52.3	211.5	53.5	55.5	53.7	53.7	216.3
Beginning commercial stocks	13.1	13.9	14.7	15.3	14.9	13.9	14.7	16.3	15.8	14.9	14.7
Imports	6.0	1.6	1.6	1.6	1.7	6.5	1.7	1.6	1.6	1.6	6.4
Total supply	226.7	68.3	70.4	69.2	68.9	231.9	69.8	73.4	71.1	70.2	237.4
Commercial exports	37.3	8.5	9.7	10.2	10.4	38.9	9.6	10.1	10.2	10.0	39.9
Ending commercial stocks	13.9	14.7	15.3	14.9	14.7	14.7	16.3	15.8	14.9	14.7	14.7
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	43.9	47.5	46.0	45.5	182.9
Milk prices (dollars/cwt) ¹											
All milk	17.12	15.70	14.77	16.83	17.67	16.24	18.40	16.20	17.15	17.70	17.40
								-16.60	-17.85	-18.70	-17.90
Class III	15.80	13.75	13.20	16.18	16.33	14.87	16.49	15.15	16.30	16.35	16.10
								-15.55	-17.00	-17.35	-16.60
Class IV	14.35	13.18	13.18	14.58	14.13	13.77	15.37	13.75	14.10	13.95	14.30
								-14.25	-14.90	-15.05	-14.90
Product prices (dollars/pound) ²											
Cheddar cheese	1.645	1.517	1.454	1.735	1.714	1.605	1.648	1.495	1.615	1.630	1.600
								-1.535	-1.685	-1.730	-1.650
Dry whey	0.380	0.243	0.252	0.288	0.366	0.288	0.485	0.510	0.495	0.485	0.490
								-0.530	-0.525	-0.515	-0.520
Butter	2.067	2.067	2.080	2.206	1.958	2.078	2.200	2.090	2.120	2.085	2.120
								-2.160	-2.220	-2.215	-2.200
Nonfat dry milk	0.902	0.766	0.760	0.860	0.931	0.829	0.955	0.810	0.840	0.845	0.865
								-0.850	-0.900	-0.915	-0.905

Totals may not add due to rounding.

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 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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