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Livestock, Dairy, and Poultry Outlook

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**Red meat prices into 2011 supported by lower supplies
and export momentum**

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Tables will be released
on Sep 28, 2010

The next newsletter
release is Oct 22, 2010

Approved by the
World Agricultural
Outlook Board

Beef/Cattle: Steer and heifer and cow slaughter rates continue at or ahead of rates last year, but lower dressed weights have yielded lower beef production. Prices continue to show strength.

Beef/Cattle Trade: In 2010, exports of U.S. beef are forecast to increase 17 percent year-over-year, totaling 2.26 billion pounds. Beef exports through July were nearly 17 percent higher year-over-year. Beef imports for 2010 are forecast at 2.54 billion pounds and with tighter beef supplies in 2011 are forecast to increase 8 percent, to 2.75 billion pounds. Through July, beef imports were 12 percent below year-earlier levels and cattle imports nearly 17 percent higher year-over-year.

Special Article: U.S. Variety Meat Exports and the Global Marketplace.

Pork/Hogs: For the balance of 2010, hog prices are expected to be supported by lower pork supplies and respectable consumer demand for pork products. The third-quarter price of live equivalent 51-52 percent lean hogs is expected to average \$59-\$60 per hundredweight (cwt). Prices are expected to average \$51-\$53 per cwt in the fourth quarter. The *Quarterly Hogs and Pigs* report will be issued by USDA/NASS on September 24, 2010.

Poultry: The U.S. broiler meat production forecast for third- and fourth-quarter 2010 were decreased a total of 125 million pounds from last month to 9.4 billion pounds in the third quarter and 9.1 billion pounds in the fourth quarter. The annual forecast for 2011 was also decreased, with the revised estimate at 37.3 billion pounds, up 2.6 percent from a year earlier. Over the first 7 months of 2010, U.S. turkey meat production has totaled 3.19 billion pounds, a 3.1-percent reduction from the same period in 2009. With lower production and a modest increase in exports, turkey stock at the end of July had fallen to 502 million pounds, down 22 percent from the previous year, putting upward pressure on prices.

Poultry Trade: Broiler shipments declined from last year's volume, while turkey shipments rose sharply. Broiler exports totaled 520.7 million pounds, a 7.1-percent drop. Turkey exports totaled 52.7 million pounds, an increase of 10.2-percent from a year ago.

Section: Demand, both foreign and domestic, continues to recover but price increases will be modest. Both cow numbers and production per cow are expected to rise, increasing milk production next year. Butter prices should moderate next year due to higher milk production.

Higher Grain Prices Could Redistribute Slaughter

Current crop production estimates indicate crop yields lower than those estimated last month. To the extent feed grain supplies are tighter than previously expected, demands for feeder cattle will be affected by higher corn prices and livestock costs of grain. Partially offsetting the corn price increases, soybean meal prices are forecast lower than they were last month. In some feeding areas, anticipated increases in ethanol production due to ethanol production mandates and higher ethanol prices could also offset some of the increase in corn prices, to the extent that increased ethanol production results in greater supplies of coproducts and lower relative feed values.

Cow slaughter continues at an atypically high rate, given the cow herd base, and heifers continue to make up a larger share of cattle slaughter than they did last year. Both of these factors imply the potential for further declines in the national beef cow herd.

While expectations for grain crops are declining, pastures have clearly benefited from favorable growing conditions over most of the United States this past spring and summer. As a result, feeder cattle have remained on pastures until recently. These cattle could also be heavier than usual. If so, the larger numbers of heavier cattle available for fall placement in feedlots could contribute to conflicting dynamics operating in the market for feedlot-ready feeder cattle. The dynamics would be a shift from pulling feeder cattle forward to place in feedlots—at lighter weights—and the potential near-term abundance of heavier cattle available for feedlot placement.

Until now, it appeared that feeder cattle were being pulled forward and marketed early. Higher corn prices could slow or reverse the early placements of lighter feeder cattle in feedlots, which would likely spread marketings into the future. Placing fewer feeder cattle this fall would likely push marketings out of feedlots into future periods.

Fewer marketings next spring and summer could also mean reduced beef production for 2011, although this outcome would also depend on dressed-weight dynamics—heavier placement weights would likely result in heavier dressed weights and could affect beef production, despite potentially lower year-over-year slaughter. However, higher corn prices generally provide incentive for shorter rather than longer feeding periods. This relationship between corn prices and feeding periods underlies the logic of placing heavier off-grass feeder cattle when corn prices are relatively high. Despite the significant increase in second-quarter 2010 placements over 2009 and 2008 placements, the extended favorable grazing season may provide feedlot placements of relatively large numbers of heavy feeder cattle during August and September. With current hedging opportunities, these cattle could provide positive cattle feeding margins into next year, despite higher corn prices.

Labor Day marked the end of the summer grilling season and is typically followed by a decline in retail/wholesale beef prices. Prices will likely follow the same pattern this fall, but on the heels of the recent price spike, the declines may be moderated. Higher fed cattle prices associated with generally tighter supplies of market-ready fed cattle will be offset to some extent at the wholesale level by higher byproduct values and continued increases in foreign demand for beef and variety meats (see special article, “U.S. Variety Meat Exports and the Global Marketplace.”). These offsets will allow packers to continue bidding relatively high prices for the tighter supplies of fed cattle. However, shorter beef supplies and higher prices for competing pork and poultry should provide some support for prices throughout the beef/cattle complex through at least the end of 2010.

Beef Export Levels Sustained into Fourth Quarter

U.S. beef exports are forecast to increase 17 percent in 2010, totaling 2.26 billion pounds. Beef exports by the United States through July were 17 percent higher year-over-year. Increased shipments to Asian markets, namely Japan and South Korea, in addition to higher trade levels to several relatively smaller markets such as Russia and Egypt, have been key drivers in the U.S. beef export market thus far in 2010. Through July, exports to South Korea and Japan increased 127 and 21 percent, respectively, year-over-year. The Japanese yen has risen sharply in recent weeks against the U.S. dollar and currently remains at its highest level since 1995. The weaker U.S. dollar makes U.S. products relatively cheaper and more attractively priced in Japan, particularly in light of the current strength of the Australian dollar, the primary U.S. competitor for beef markets in Asia. The United States is expected to gain a greater share of the Japanese beef market in both the near and longer terms. Currently, the United States holds a 16-percent share of the Japanese beef import market compared with Australia's 73 percent. In South Korea, total world beef exports increased 21 percent through July, and the United States has captured substantially greater year-over-year gains in this market. The United States currently holds 30 percent of the South Korean beef import market, second to Australia's 52 percent.

Continued demand from traditionally smaller markets has also boosted U.S. beef exports in 2010, with 4 percent and 3 percent of U.S. beef exports through July going to Russia and Egypt, respectively. Although periodically elevated, U.S. beef exports to these markets have been historically negligible. Overall, strong global demand for beef continues to support the domestic market and underpin U.S. wholesale beef prices. In 2011, 2.15 billion pounds of beef are forecast to be exported, while demand for U.S. beef in Asian markets should continue strengthening. The 2011 beef export forecast remains a robust figure, considering tighter domestic supplies due to the smaller U.S. calf crop and total cattle inventory registered for this year and forecast for next.

Canadian Slaughter Cattle Imports May Decline into 2011

There are still incentives for Canadian and Mexican cattle feeders and producers to export cattle to the United States due to higher U.S. cattle prices. Canadian cattle feeders are capturing higher prices for fed cattle—which through the summer months have been readily available from Canada—and feeder cattle in U.S. markets are priced more attractively to Mexican producers than they are in Mexico. Canadian and Mexican cattle imports through July were 6 and 31 percent higher than year-earlier levels. However, steer and heifers imported from Canada for slaughter may decline by the end of the year as summer placements in Canada have been below year-earlier levels. June-August Canadian placements were also at the lowest levels seasonally since 2004; thus, Canadian marketings and, subsequently, the availability of exportable slaughter cattle to the United States, should decline by the end of this year. Currently, Canadian feeder cattle are trading at a premium to U.S. values and Canadian cow-calf producers have abundant forage supplies, limiting export movement. The size of the increase in feeder cattle from Mexico this fall will also be largely dependent upon weather and forage conditions in Mexico.

U.S. Variety Meat Exports and the Global Marketplace

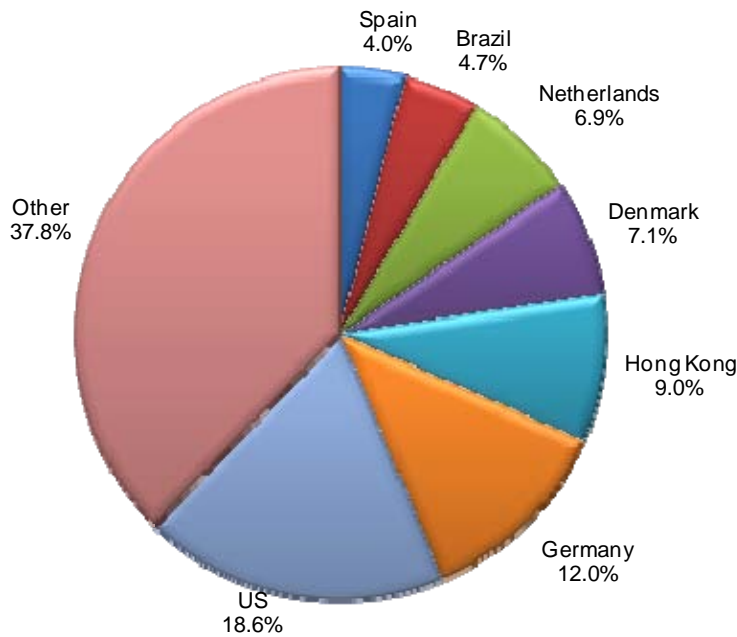
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Variety meats may not make up the “heart” of the U.S. meat industry, given that dishes such as beef tongue or pig heart do not typically grace American dinner tables. In fact, these and other variety meats are often considered to be inferior food in U.S. markets. Nonetheless, variety meat from beef and pork slaughter is important to the bottom line of the U.S. meat industry. This is evident in both the value that variety meat adds to the U.S. meat industry and the volume of sales into the variety meat channel.

Animal byproducts are items produced as a result of animal slaughter and include portions of the entire animal that are not part of the dressed carcass. In the United States, animal byproducts fall into two categories: edible and inedible offal. Variety meats are a subcategory of edible offal consisting of the liver, heart, tongue, tail, kidney, brain, sweetbreads (thymus and/or pancreas gland, depending on animal’s age), tripe (stomach), chitlings and natural casings (intestines), fries (testicles), rinds, head meat, lips, fats and other trimmings, and blood (Ockerman and Hansen, 1998). Some edible offal is also used to make gelatin, sausage casings, and rennin used in cheesemaking. These products are all part of the U.S. meat industry, but just how important are they?

The supply of edible offal produced in the United States is relatively large in comparison with its domestic demand. U.S. demand for edible offal stems from consumption of products such as sausages and hot dogs and the use of variety meats in pet food. The remainder is available for shipment to foreign markets where they are more highly valued. While carcasses and high-value cuts comprise the majority of total red meat exports, edible offal exports have constituted about 22 percent of the volume of total beef- and pork-product exports over the last 5 years. The United States has historically been the world’s largest exporter of beef and pork edible offal, accounting for more than 18 percent of total world exports over the last 10 years (fig. 1). U.S. pork edible offal exports were nearly 20 percent of total pork exports in 2009, and over 24 percent of total U.S. beef exports last year were edible offal.

Figure 1. Edible offal exporting countries, by export share¹, 2000-2009



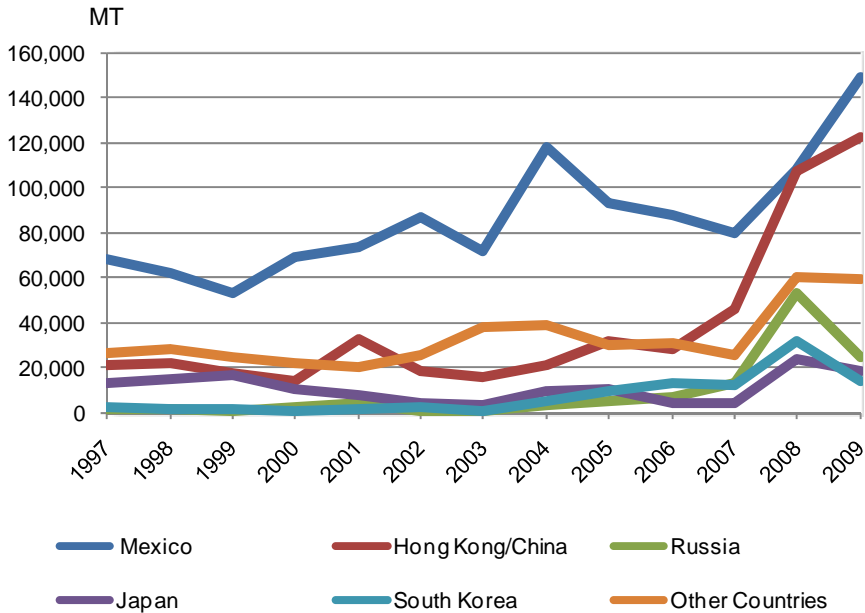
¹ These data also include guts, bladders, or stomachs of animals (HTS code set 0504) or prepared or preserved meat, meat offal, or blood (HTS code set 1602).
Source: Global Trade Information Services, Global Trade Atlas.

Variety meats in some countries are considered delicacies, while in other countries their consumption is associated with low incomes (Halstead, 1999). However, in many regions variety meats are the basis of traditional flavors. Demand for variety meats is especially strong in many Asian nations. In China, most recipes call for sharp-tasting variety meats, not muscle cuts, which are considered bland (Hayes, 1997); cow tongues are considered expensive delicacies in Japan; sliced beef feet are used for soup in South Korea; and stomachs, lungs, and livers are highly valued meats in Colombia (Bean, 1996). Tongue and liver are used in many Mexican dishes, such as putzaze (tripe and liver with tomatoes), lengua (tongue with green chilies), and menudo norteña (tripe soup). However, in Russia, one of the world's largest offal importers, variety meats are connected to lower incomes and used as an inexpensive way to obtain protein and nutrition (Kamenski, 2006).

Pork Variety Meat Exports and Markets

Mexico is by far the largest importer of U.S. pork variety meats, accounting for 46 percent over the last decade (fig. 2). Other major destinations of U.S. exports include Hong Kong/China, Russia, Japan, and South Korea. However, many of these markets have developed only in recent years. Since 2008, Hong Kong/China has begun to rival Mexico as the number one export market for U.S. pork variety meats in terms of volume. In this study, Hong Kong and China are considered as one export destination because much of the U.S. product is transshipped from Hong Kong to China (Bean, 1996). Until 2007, exports of all U.S. variety meats to Hong Kong/China were marginal, but last year U.S. exports of pork variety meat to Hong Kong/China jumped to almost 123, 000 MT, 32 percent of all U.S. pork variety meat exports.

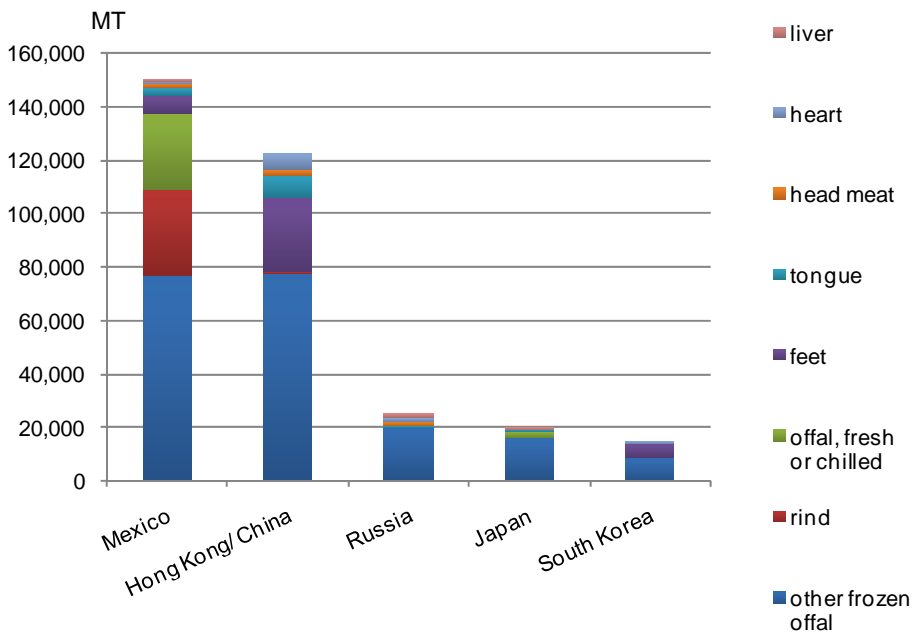
Figure 2. Top five U.S. pork variety meat export markets, 1997-2009



Source: USDA, Foreign Agricultural Service, Global Agricultural Trade System.

Major U.S. pork variety meat exports over the last 5 years include hog feet (14 percent of U.S. pork offal exports), fresh or chilled offal (11 percent), rinds (10 percent), and all other frozen offal (56 percent) (fig. 3). In terms of the destinations for these products, Mexico imported over 94 percent of all U.S.-exported pork rinds and 76 percent of U.S. fresh or chilled pork offal exports, Russia was by far the largest purchaser of U.S. hog liver exports in 2009, and Hong Kong/China also was the number one importer of U.S. hog feet, pig tongues, and pig-heart exports last year.

Figure 3. Top five U.S. pork variety meat export markets and meat varieties exported, 2009



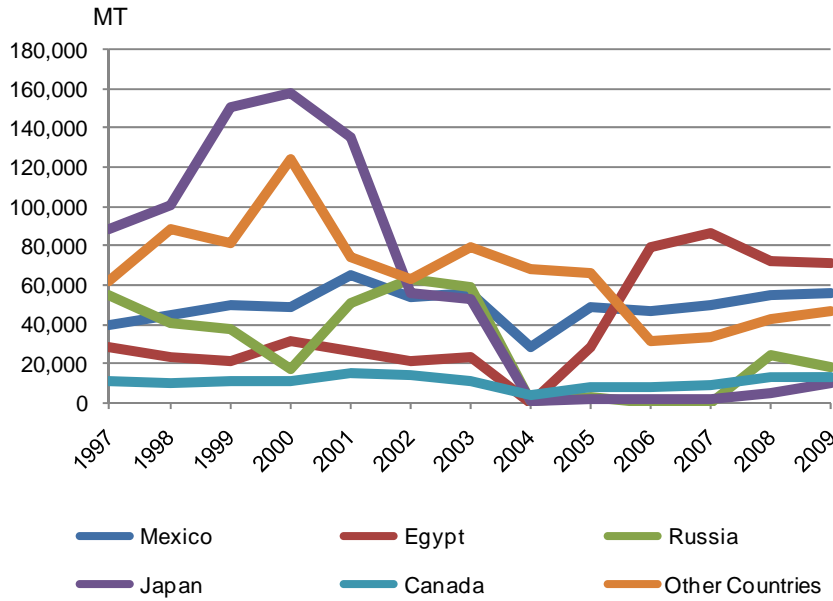
Source: USDA, Foreign Agricultural Service, Global Agricultural Trade System.

Beef Variety Meat Exports and Markets

Historically, Japan has been the largest importer of U.S. beef variety meats, buying over 21 percent of U.S. beef variety meat exports over the last decade. Other traditionally large importers include Mexico, Egypt, Russia, and Canada (fig. 4). While exports to the major U.S. beef variety meat markets have been gradually increasing since 2003, beef variety meat exports to Egypt have risen sharply: in 2009, over 33 percent of U.S. beef variety meat exports went to Egypt, making it the largest destination for these exports. This increase was driven by the efforts of Egyptian entrepreneurs to put beef liver and other items in Egypt's retail outlets and supermarkets, as well as on the menus of hotels and restaurants. Egyptians have developed a preference for beef livers from the United States over substitute markets such as Brazil's, as grain-fed beef, predominant in the U.S., tends to result in a more flavorful product than grass-fed beef exports from other countries (Kamenski, 2006).

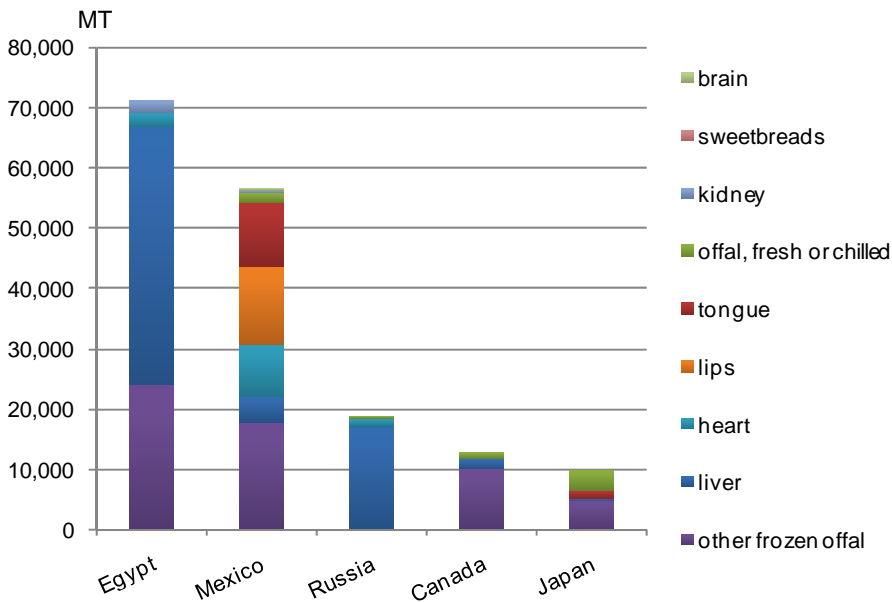
Traditionally, the United States' top beef variety meat export has been liver (fig. 5). Over the last 5 years, bovine livers have encompassed 51 percent of all U.S. beef variety meat exports. Other important U.S. variety meat exports over the last 5 years have included lips (7 percent of U.S. beef offal exports), hearts (7 percent), tongues (6 percent), kidneys (4 percent), and all other frozen offal (23 percent). A vast majority of all U.S. beef lips, sweetbreads, brains, and tongue in 2009 went to Mexico, as well as most beef heart exports.

Figure 4. Top five U.S. beef variety meat export markets, 1997-2009



Source: USDA, Foreign Agricultural Service, Global Agricultural Trade System.

Figure 5. Top 5 U.S. beef variety meat export markets and meat varieties exported, 2009



Source: USDA, Foreign Agricultural Service, Global Agricultural Trade System.

Looking Ahead

Protein intake is often dependent upon income, as are the types of proteins consumed. Increasing per capita incomes and rising GDP may have varied effects on consumption and trade of variety meats, depending on how the products are viewed in each country. In countries such as Egypt and Japan, where certain variety meats are more highly valued, increasing wealth and GDP growth may result in increased U.S. variety meat exports. Egyptian demand should remain strong since the country has a younger population, a relatively high rate of economic growth compared with world growth, and a limited capacity to expand domestic production, factors likely to support growth in demand for beef products (Kamenski, 2006). As incomes rise in other countries, certain variety meats may begin to be viewed as inferior goods, which may cause U.S. variety meat exports to decline in some segments of these markets. In portions of the Mexican, Russian, and Chinese markets, for example, variety meat consumption may give way to increasing consumption of muscle cuts as tastes and preferences change. However, preferences in other countries for certain culinary traditions (which are strongly tied to variety meat use) will continue to play an integral role in demand for U.S. variety meat exports.

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Higher Hog Prices Expected To Persist Through Second-Half 2010

For the balance of 2010, U.S. hog prices will likely continue to be supported by year-over-year lower pork supplies and respectable consumer demand for pork products. Third-quarter commercial pork production is expected to be 5.4 billion pounds, almost 5 percent lower than the same period last year. Fourth-quarter production will likely fall about 2 percent from production in the fourth quarter of 2009, to 5.9 billion pounds.

Wholesale pork prices, one indicator of consumer demand, continue to soar above 2009 levels. Through late August, the average 2010 USDA Estimated Pork Carcass Cutout was 40 percent above the cutout value for the same period last year. This year the July-August average cutout averaged \$88.14, 52 percent above the same period in 2009.

While part of the strong increase in the carcass cutout is certainly attributable to lower pork production, domestic consumer demand is likely a significant factor in very strong belly prices (+49 percent year-over year, January-August), and loin prices (27 percent, year-over year, January-August). Foreign demand is also a probable factor in higher pork prices. In particular, strong export flows of U.S. hams going to Mexico are reflected in ham prices: +68 percent year-over-year for the January-August period. With lower year-over-year cold stocks, continued slow recovery of the U.S. economy, and second-half U.S. pork exports forecast to increase more than 10 percent, consumer demand is expected to be supportive of hog prices, despite record-high retail pork prices. Prices of live equivalent 51-52 percent lean hogs will average \$59-\$60 per cwt in the third quarter and \$51-\$53 in the fourth quarter of this year. In 2011, hog prices are expected to be \$53-\$57 per cwt.

USDA will release the *Quarterly Hogs and Pigs* report on September 24th.
<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1096>

July Exports Dip Below Year Earlier, but Third Quarter Forecast Unchanged

July pork exports, at almost 328 million pounds, came in at more than 7 percent below July of 2009. Lower shipments to Asia, particularly Japan (-9.4 percent), largely account for the year-over-year reduction. U.S. exports to Japan in June were the highest on record, so year-over-year lower shipments in July are not altogether unexpected. China was an exception to an otherwise dour set of July pork export statistics. China imported almost 20 million pounds of U.S. pork in July, the largest shipment since the spring of 2009.

Over the last 10 years, weaker-than-expected July exports have been typically followed by stronger shipments in August. The third-quarter pork export forecast thus remains unchanged at 1.1 billion pounds, more than 10 percent above the same period last year.

July pork imports were 75 million pounds, and the third-quarter forecast of 215 million pounds is unchanged from last month's forecast. The third-quarter forecast for live swine imports is also unchanged at 1.45 million head. July swine imports were 488,000 head.

Third- and Fourth-Quarter Broiler Estimates Lowered

The U.S. broiler meat production forecast for the third and fourth quarters of 2010 were lowered by a total of 125 million pounds from last month. The forecast for the third quarter was lowered to 9.38 billion pounds, down 75 million pounds, and the fourth-quarter forecast was decreased by 50 million pounds. The reduction in the third-quarter forecast is the result of slightly lower-than-expected slaughter rates and expected declines in the average weights of broilers at slaughter. The reduction in the fourth-quarter production forecast stems from continued slow growth in the number of chicks being placed for growout. The new production forecast for 2010 is 36.4 billion pounds, an increase of 2.4 percent from the previous year. This forecast also included a slight upward adjustment in the production estimate for second-quarter 2010. The production forecast for 2011 was also decreased by 250 million pounds due to expected higher grain prices and only limited growth in the domestic economy.

Broiler meat production in July was 3.0 billion pounds, down 2.3 percent from a year earlier. This decline in production can be attributed chiefly to the fact that July 2010 had 1 less slaughter day than the previous year. The number of birds slaughtered in July was down 2.9 percent to 726 million, and the average live weight of these birds was 5.57 pounds, up less than 1 percent from the previous year. During August and September, the year-over-year difference in the number of chicks placed for growout is expected to remain around 2 percent higher than the previous year. The higher average temperatures that have occurred in many areas of the country are expected to keep average live weights at slaughter close to year-earlier levels through the end of the third quarter.

For the 5-week period ending September 4, the National Agricultural Statistics Service estimated that 171 million broiler chicks on average were placed weekly for growout. This is a 2.2-percent increase from a year earlier. Over the last several months, the year-over-year growth in the number of chicks placed has remained relatively steady at slightly over 2 percent. This pattern of moderate growth in chick placements for growout is expected to continue through the end of the third quarter and into the fourth.

Stock Levels Down at the End of July

Stock levels for broiler products at the end of July fell below those of a year earlier, totaling 639 million pounds, down 22 million pounds (3.4 percent) from the previous year. Although the expected increases in broiler stocks through the end of 2010 are moderate, increases in broiler production and lower exports are expected to push broiler stocks to levels above the previous year for most of the remainder of 2010 and into 2011.

Breast Meat Prices Move Higher in August

While overall broiler prices remain below those of the previous year, there are some exceptions. Wholesale prices for boneless/skinless breast meat in the Northeast market averaged \$1.65 in August. This is close to its high price for the year so far and is 27 percent higher than in August 2009.

During July and August the severe heat reduced the percentage of broilers in the higher weight category. All these larger birds are normally cut into parts, and this reduction tended to lower the total amount of breast meat available. Breast meat prices have also benefited from relatively high prices for beef and pork products. One of the other items that have shown some price strength is whole birds. Whole birds in August averaged 83 cents per pound, 12 percent higher than the previous year. However, prices for leg quarters and most dark meat products continue to remain at considerably lower levels than the previous year. In the Northeast market, leg quarter prices averaged 40 cents per pound in August, down 1 percent from a year earlier. Prices are also lower for broiler thighs: in August they averaged 55 cents per pound, 11 percent lower than in August 2009.

Turkey Production Down 4 Percent in July

Turkey meat production in July was 467 million pounds, down 4 percent from July 2009. Again the decrease was chiefly due to the fact that July 2010 had 1 less slaughter day than July 2009. Although a lower number of turkeys were slaughtered, average weights were actually up slightly. In July, the number of turkeys slaughtered was 20.4 million, a decrease of 5 percent from the previous year. The average live weight at slaughter was 28.6 pounds, up 0.5 percent from the previous year.

U.S. turkey meat production has been below year-earlier levels in 6 of the first 7 months of 2010 and 18 of the last 19 months. So far in 2010, U.S. turkey meat production has totaled 3.2 billion pounds, a 3.1 percent reduction from the same period in 2009. The forecasts for the third and fourth quarters of 2010 are 1.4 and 1.43 billion pounds. The forecast for the third quarter is down 1.2 percent from a year earlier, and expected production in the fourth quarter is down 1.1 percent from the previous year. The estimate for 2010 production is 5.6 billion pounds, down 2 percent from 2009. The reduction is due to a lower number of poults placed for growout as a sluggish domestic economy and a considerable drop in exports in 2009 led turkey producers to reduce production.

With continued decreases in turkey meat production over the first 7 months of 2010, cold storage holdings have gradually fallen for whole birds and turkey parts. At the end of July, cold storage holdings of whole turkeys were 290 million pounds, down 17 percent from the previous year. The decrease in cold storage holding of whole birds is a result of fewer birds produced and a modest increase in exports. At the end of July, holdings of turkey parts totaled 212 million pounds, down 27 percent from a year earlier.

Total cold storage holdings are expected to expand to 525 million pounds by the end of the third quarter, up about 18 million pounds from the previous quarter, but over 14 percent lower than a year earlier. By the end of 2010, cold storage holdings of whole turkeys and turkey parts are forecast at 230 million pounds, down 12 percent from the end of 2009 and 42 percent lower than at the end of 2008.

The decline in cold storage holdings of whole turkeys and turkey parts has placed upward pressure on prices. In August the national wholesale price for whole hen turkeys was \$0.97 per pound, 24 percent higher than a year earlier and 2 cents higher than the previous month. Third-quarter prices for hen turkeys are forecast at \$0.96-\$0.97 per pound, and the forecast for fourth-quarter 2010 is \$0.97-\$1.03 per pound.

The lower cold storage holdings of turkey products have placed upward pressure on a number of turkey parts prices. In July, prices for boneless/skinless turkey breasts were \$2.32 per pound, 73 percent higher than the previous year. Prices have also risen for drumsticks, which were \$0.70 per pound in July, up 27 percent from the previous year. Prices for turkey parts are expected to remain strong as stock levels are forecast to remain below year-earlier levels through the end of 2010.

Table Egg Flock Larger Again in July

In July, the number of birds in the table egg flock was reported at 280.4 million, up 1.5 percent from a year earlier. This is the second consecutive month that the size of the table egg flock has been above the previous year, after being below a year earlier during the first 5 months of 2010. Table egg production in July was also higher, at 548 million dozen, up 1.1 percent from the previous year. Over the first 7 months of 2010, table egg production totaled 3.8 billion dozen, up about 1 percent from the same period in 2009. For most of the first 7 months of 2010, the increase in table egg production was chiefly due to a higher rate of eggs laid per hen, as the number of hens in the table egg flock was lower on a year-over-year basis.

The hatching flock for meat-type birds (broiler breeder flock) was reported at 55.3 million in July, up 3.2 percent from the previous year. The number of hens in the broiler hatching flock has been higher on a year-over-year basis throughout 2010. These increases point toward a slow but steady growth in broiler meat production as integrators cautiously expand production.

In July 2010, the wholesale price for eggs in the New York market averaged 85 cents per dozen, up about 8 cents per dozen from the previous month. Prices remained in the mid-80s into the first half of August, but with diversion of eggs from two major suppliers out of the shell egg market due to salmonella concerns, there was a short term gap in shell egg supplies. This resulted in a spike in prices, with prices in New York market reaching \$1.41 per dozen in late August. However, the price spike seems to be relatively short lived, with prices in early September already dropping back sharply.

With this short-term spike and then decline in egg prices, third-quarter 2010 egg prices are forecast to average \$0.95-\$0.96 per dozen, close to the average price a year earlier. Prices in fourth-quarter 2010 are forecast at \$1.02-\$1.08 per dozen. This strengthening in prices in the fourth quarter is expected to come from a normal seasonal increase in demand.

Egg Exports Decline in July

Egg exports totaled 19.4 million dozen in July, down 10 percent from the previous year. Even with the decline in exports in July, total egg exports during the first 7 months of 2010 have totaled 143.6 million dozen, up 18 percent from the previous year. With domestic prices for table eggs generally strengthening in July, exports were down to a number of countries. Total egg exports to both Canada and Mexico continue to be lower than the previous year. In July, shipments to Canada totaled 3.3 million dozen, down 35 percent from the previous year, and total exports to Mexico were 1.2 million dozen, 19 percent lower.

Some of the declines to these markets were offset by larger shipments to the United Arab Emirates, Japan, and Korea. Total egg exports in the second half of 2010 are forecast at 125 million dozen, down 12 percent from the second half of 2009, with continued lower exports to Canada and Mexico and a decline in egg product shipments to the EU.

Broiler Shipments Fail from Last July

Broiler shipments totaled 520.7 million pounds in July, a 7.1-percent drop from a year ago. The drop in July's broiler shipments marks the lowest shipment recorded in 5 months. Impediments to trade continue to be one of the chief reasons for a decline in broiler shipments to Russia and China, who together accounted for 37 percent of the U.S. total shipments in July 2009. In spite of the reductions in broiler shipments to Russia and China, countries such as South Korea, Lithuania, Mexico, Taiwan, Hong Kong, Georgia, and Angola increased their import of U.S. broiler meat from a year ago. Year-to-date, shipments to South Korea increased by 200-percent from January to July 2009, while shipments to Mexico, Lithuania, Angola, Taiwan, Georgia, and Hong Kong rose by 18.1, 30.7, 63.2, 107, 123.6, and 188.4-percent, respectively, over the same period.

In addition to the relatively low quantity of U.S. broiler shipments, the value of broiler shipments declined from a year ago. The dollar value of July 2010 broiler shipments totaled \$238.7 million, down 18-percent from a year ago. Most of the loss in value is due to low or no shipments to Russia and China.

Turkey Shipments Took a Leap in July

July turkey shipments totaled 52.7 million pounds, an increase of 10.2-percent from a year ago. The July increase in turkey exports was due to increased shipments to Mexico, China, and the Dominican Republic. Shipments to Mexico, the leading market for U.S. turkeys, rose by 20.4-percent from July 2009, while shipments to China and the Dominican Republic, the second- and fourth-leading turkey markets, increased by 42.2 and 102 percent, respectively, over the same period. The total value of turkey shipments rose by \$7.36 million in July, a 22-percent increase from a year ago. Of the \$7.36 million increase in turkey shipments in July 2010, Mexico alone accounted for 84 percent of that month's increase in sales.

Only Moderate Price Increases Are Expected in 2011 as Milk Production Continues To Rise

Feed prices are forecast higher in 2010/11, with corn expected to average \$4.00 to \$4.80 per bushel and soybean meal to average \$270 to \$310 per ton. The milk-feed price ratio rose this year and is expected to average 2.3 for 2010; next year the index is expected to decline slightly from 2010 because of higher forecast feed prices. While this indicator of profitability has substantially improved from 2009's depressed level, it remains low enough this year and next that some producers may face financial difficulties.

Despite a relatively weak milk-feed price ratio, cow numbers continue to rise year-over-year. The most recent *Milk Production* report indicated cow numbers higher in the second quarter of 2010 than in the first, although the herd was still smaller than in the corresponding quarter of 2009. USDA projects the number of cows in the U.S. dairy herd to average 9,125 thousand head this year, increasing to 9,160 in 2011.

Production per cow has also advanced in 2010 and is projected to rise by nearly 2.6 percent above 2009. A rise in production per cow is also forecast for 2011, but the rise is expected to be near trend at 1.5 percent. The expected rise in herd size and increased per cow production translates into more milk. USDA projects milk production at 192.7 billion pounds this year, rising to 196.2 billion in 2011.

Milk production in Oceania for the upcoming season is expected to recover from last year. The prospect of more milk on the world market is expected to impact U.S. exports next year. Milk equivalent exports on a fats basis are expected to total 6.6 billion pounds in 2010 but to slide to 5.4 billion next year, dampened by improved world production. Milk equivalent exports on a skims-solids basis are projected to be 29.3 billion pounds this year and to decline to 28.3 billion in 2011. Imports declined this year compared with 2009 on both a fats and skims-solids basis; imports are expected to total 4.1 billion pounds, fats basis, and 4.5 billion pounds, skims-solids basis. In 2011, imports will likely decline slightly to 4.0 billion pounds and 4.3 billion pounds, respectively. Recovering global and higher domestic milk production is the major reason.

Stocks are forecast to end this year below 2009 totals on a fats basis, reaching 10.4 billion pounds, largely due to lower expected butter stocks. This year's skim ending stocks are forecast slightly higher at 11.5 billion pounds. Next year, ending stocks are expected to tighten to 10.4 billion pounds on a fats basis and to 11.2 billion pounds on a skims-solids basis. International and domestic demand for butterfat is expected to remain strong both this year and next. Domestic commercial use on a fats basis is expected to rise 2.2 percent in 2011 after staging a 1.2 percent increase this year compared with 2009. Commercial use on a skims basis is projected to decline about 1 percent below 2009 but rebound in 2011, climbing 2.8 percent from this year's total.

Cheese prices have risen sharply this year due to increased demand. Although cheese stocks remain above the 5-year average, prices are expected to average \$1.530 to \$1.550 per pound in 2010. Next year, prices are expected to rise, but not as precipitously, to average \$1.530 to \$1.630 per pound. Butter prices started to climb in late 2009 and have soared this year. The strong demand for fats has moved milk to other uses and, consequently, butter production has lagged and prices have spiked. The decline in milk production in 2009 may have contributed to the tight supplies this year. Butter prices are expected to average \$1.690 to \$1.730 per pound in 2010. Next year, butter prices will remain high by historic standards, but should moderate from 2010's highs. Butter prices are expected to average \$1.485 to \$1.615 per pound in 2011. Greater milk production in 2011 should help lower prices. Nonfat dry milk (NDM) prices tracked the price runup for butter, since the movement of milk to other products reduced NDM production. Export demand for NDM also contributed to the rising NDM prices in 2010. NDM is expected to average \$1.150 to \$1.170 per pound. Next year's price increases are forecast to moderate to \$1.175 to \$1.245 per pound. Export demand should support the higher price, while increased milk production should limit increases.

The 2010 Class IV price, which is projected to average \$14.90 to \$15.20 per cwt, will likely be lower in 2011, based on lower butter prices. In 2011, the Class IV price is forecast to average \$14.25 to \$15.35 per cwt. The Class III price is forecast to remain about the same in 2011, as greater milk supplies counter continued high cheese prices. The average Class III price is estimated to be \$14.50 to \$14.70 per cwt this year and average \$14.40 to \$15.00 per cwt next year. The price outlook for products should hold the all milk price nearly even, averaging \$16.25 to \$16.45 per cwt this year and averaging \$15.85 to \$16.85 per cwt in 2011.

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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/Data/MeatPriceSpreads/>, 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/MeatTrade/>, 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/ldp/>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
Dairy, <http://www.ers.usda.gov/briefing/dairy/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
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WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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U.S. red meat and poultry forecasts

	2004		2005		2006		2007 1/				2008				2009				2010				2011							
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Production, million lb																														
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,237	6,649	6,802	6,733	26,421	6,372	6,899	6,908	6,382	26,561	6,248	6,602	6,689	6,424	25,963	6,251	6,549	6,685	6,220	25,705	6,050	6,300	25,115
Pork	20,511	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	5,256	6,163	21,943	6,024	5,593	5,632	6,098	23,347	5,811	5,488	5,698	5,996	22,993	5,607	5,301	5,420	5,875	22,203	5,610	5,410	22,640
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	45	171	43	40	38	41	162	42	39	161
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,145	9,439	9,457	8,865	36,906	8,573	8,939	9,172	8,827	35,511	8,732	9,198	9,375	9,075	36,380	8,975	9,350	37,325
Turkeys	5,454	5,504	1,351	1,435	1,419	1,476	5,682	1,413	1,482	1,488	1,575	5,958	1,536	1,560	1,568	1,582	6,246	1,385	1,420	1,417	1,441	5,663	1,340	1,383	1,400	1,425	5,548	1,375	1,375	5,600
Total red meat & poultry	85,442	87,097	21,792	22,362	22,413	22,656	89,224	21,874	22,552	22,876	23,962	91,264	23,292	23,717	23,791	23,137	93,937	22,148	22,561	23,091	22,819	90,618	22,124	22,628	23,077	22,796	90,625	22,200	22,631	91,472
Table eggs, mil. doz.	6,365	6,413	1,617	1,617	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,587	1,577	1,599	1,640	6,403	1,597	1,603	1,614	1,661	6,475	1,603	1,620	1,635	1,675	6,533	1,620	1,625	6,570
Per capita disappearance, retail lb 2/																														
Beef	66.1	65.6	15.8	16.9	16.9	16.3	65.8	15.9	16.6	16.4	16.2	65.2	15.6	16.3	15.8	15.1	62.8	15.3	15.7	15.6	14.7	61.2	14.6	15.1	15.2	14.0	59.0	14.1	14.6	57.8
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.6	12.0	13.3	49.5	12.5	12.0	12.5	13.0	50.1	11.8	11.4	11.3	12.1	46.6	11.5	11.5	46.8
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.2	0.2	0.3	1.0	0.2	0.2	0.2	0.2	0.9	0.3	0.2	0.9
Broilers	84.4	85.8	21.7	22.1	21.9	20.9	86.5	21.2	21.6	21.4	21.2	85.4	21.3	21.4	21.1	19.7	83.5	19.3	20.1	20.6	19.6	79.6	20.0	20.5	21.1	20.2	81.9	20.0	21.1	83.5
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	5.3	17.6	3.7	3.9	4.0	5.3	16.9	3.5	3.6	3.9	5.0	16.1	3.6	3.7	15.8
Total red meat & poultry	221.6	221.0	54.1	55.5	55.6	56.1	221.3	53.9	55.1	54.9	57.6	221.6	54.1	54.2	53.8	54.0	216.1	51.4	52.4	53.4	53.3	210.5	50.6	51.2	52.2	52.0	206.1	49.8	51.4	206.5
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	62.0	63.8	248.9	62.0	61.5	61.4	62.9	247.7	61.1	61.0	61.6	63.2	246.9	61.1	61.2	246.6
Market prices																														
Choice steers, 5-area Direct, \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	93.45	91.36	91.85	91.82	89.59	92.82	98.45	88.22	92.27	84.48	84.48	83.05	83.29	83.25	89.44	96.33	95.96	93.97	93.95	93.101	96.104	95.102
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.53	108.87	115.64	108.88	108.23	99.88	106.60	110.81	94.62	102.98	92.84	98.64	99.40	93.67	96.14	98.73	112.65	114.115	108.112	108.110	101.109	106.114	105.112
Cutter Cows, National L.E., \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	54.07	49.40	52.12	53.88	57.30	61.78	46.70	54.92	45.42	48.57	46.44	43.56	46.00	51.79	58.79	58.59	55.59	55.58	53.57	55.59	53.57
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.23	87.33	87.55	84.93	86.23	79.62	88.83	88.95	85.91	90.14	91.44	88.35	90.47	90.10	103.87	106.32	110.111	109.113	107.109	107.113	104.112	
Barrows & gilts, N. base, Le. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	42.74	38.90	41.20	41.24	50.41	59.6	59.60	51.53	55.56	54.58	53.57	
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.00	80.30	79.20	71.10	76.40	78.10	80.60	80.60	79.40	79.70	79.70	81.90	76.80	72.10	77.60	82.2	85	85.86	81.85	83.85	82.88	83.89	82.89
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.70	77.90	89.90	90.80	82.10	77.40	88.90	96.50	87.30	87.50	73.80	79.10	81.40	83.80	79.50	75.6	84.4	96.97	97.103	88.90	77.83	81.87	83.90
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	122.60	128.30	109.70	89.70	94.80	117.70	103.00	126	82.8	95.96	102.108	101.103	107.115	101.109	103.112
U.S. trade, million lb																														
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	496	518	1,869	478	585	600	600	2,263	500	560	2,150
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	655	2,537	704	751	623	550	2,628	573	690	675	615	2,553	665	735	2,745
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	28	46	171	47	46	35	49	177	52	46	186
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,016	1,125	4,126	1,047	1,081	1,110	1,230	4,468	1,120	1,110	4,675
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	210	223	834	199	204	215	230	848	210	210	875
Broiler exports	4,783	5,203	1,270	1,297	1,234	1,404	5,205	1,275	1,393	1,493	1,610	5,771	1,507	1,787	1,912	1,756	6,962	1,753	1,655	1,719	1,708	6,835	1,488	1,683	1,650	1,650	6,471	1,625	1,625	6,650
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	114	136	145	145	540	125	130	550
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,201	2,083	9,348	1,761	1,614	1,518	1,472	6,365	1,446	1,408	1,450	1,450	5,754	1,475	1,475	5,900

1/ Forecasts are in bold.

2/ 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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Dairy Forecasts

	2009			2010					2011		
	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.)	9,155	9,090	9,201	9,091	9,112	9,150	9,155	9,127	9,160	9,165	9,159
Milk per cow (pounds)	5,111	5,090	20,576	5,209	5,460	5,240	5,200	21,108	5,315	5,510	21,425
Milk production (bil. pounds)	46.8	46.3	189.3	47.4	49.7	47.9	47.6	192.7	48.7	50.5	196.2
Farm use	0.3	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	1.0
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.7	47.4	191.7	48.4	50.3	195.3
Milkfat (bil. pounds milk equiv.)											
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.7	47.4	191.7	48.4	50.3	195.3
Beginning commercial stocks	14.5	13.7	10.1	11.3	13.0	13.4	12.7	11.3	10.4	12.0	10.4
Imports	1.3	1.3	5.6	1.2	1.0	0.9	1.0	4.1	1.2	0.9	4.0
Total supply	62.3	61.0	204.0	59.7	63.5	62.0	61.0	207.1	60.0	63.1	209.6
Commercial exports	0.9	1.1	4.1	1.3	2.1	1.9	1.3	6.6	1.4	1.4	5.4
Ending commercial stocks	13.7	11.3	11.3	13.0	13.4	12.7	10.4	10.4	12.0	13.7	10.2
Net removals	0.1	0.6	0.7	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Commercial use	47.6	47.9	187.7	45.1	48.0	47.4	49.4	189.9	46.6	48.0	194.0
Skim solids (bil. pounds milk equiv.)											
Milk marketings	46.5	46.0	188.3	47.1	49.5	47.7	47.4	191.7	48.4	50.3	195.3
Beginning commercial stocks	12.4	11.5	10.9	11.3	11.8	12.5	11.7	11.3	11.5	11.2	11.5
Imports	1.2	1.4	5.5	1.2	1.2	1.0	1.2	4.5	1.2	1.0	4.3
Total supply	60.2	58.9	204.7	59.6	62.5	61.2	60.2	207.5	61.1	62.5	211.0
Commercial exports	5.5	6.1	22.5	6.2	8.8	7.4	7.0	29.3	7.0	7.1	28.3
Ending commercial stocks	11.5	11.3	11.3	11.8	12.5	11.7	11.5	11.5	11.2	12.1	11.2
Net removals	0.6	0.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.9	41.4	168.6	41.8	41.2	42.2	41.8	166.9	42.9	43.2	171.5
Milk prices (dol./cwt) 1/											
All milk	12.13	15.40	12.84	15.60	15.07	16.60	17.85	16.25	16.30	15.55	15.85
						-16.80	-18.35	-16.45	-17.10	-16.55	-16.85
Class III	11.09	13.96	11.36	13.85	13.31	14.95	15.85	14.50	14.50	14.40	14.40
						-15.15	-16.35	-14.70	-15.30	-15.40	-15.40
Class IV	10.56	13.37	10.89	13.22	14.82	15.90	15.80	14.90	14.70	14.10	14.25
						-16.20	-16.40	-15.20	-15.60	-15.20	-15.35
Product prices (dol./pound) 2/											
Cheddar cheese	1.248	1.508	1.296	1.471	1.419	1.575	1.670	1.530	1.535	1.535	1.530
						-1.595	-1.720	-1.550	-1.615	-1.635	-1.630
Dry whey	0.294	0.344	0.258	0.386	0.366	0.350	0.345	0.360	0.355	0.355	0.355
						-0.370	-0.375	-0.380	-0.385	-0.385	-0.385
Butter	1.194	1.350	1.209	1.387	1.551	1.895	1.945	1.690	1.695	1.485	1.485
						-1.935	-2.025	-1.730	-1.805	-1.615	-1.615
Nonfat dry milk	0.892	1.142	0.922	1.107	1.212	1.170	1.130	1.150	1.120	1.155	1.175
						-1.190	-1.170	-1.170	-1.180	-1.225	-1.245

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 "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.

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