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Livestock, Dairy, and Poultry Outlook

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Amidst Drought and High Feed Prices Domestically, Exports Flourishing

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on Sept. 27, 2011

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release is Oct. 18, 2011

Approved by the
World Agricultural
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Beef/Cattle: Drought conditions continue to result in Southern cows going to slaughter and Southern calves going to feedlots. Also resulting from the drought, corn, and hay prices are increasing as cow and fed cattle prices slip. Despite deteriorating feed-fed cattle price relationships, feeder cattle prices appear mostly steady.

Beef/Cattle Trade: The exchange rate continues to hamper imports of beef to the United States, while U.S. beef exports remain at markedly higher levels, a result of herd liquidation and a larger exportable supply as well as of the exchange rate. Mexican cattle imports are 20 percent higher through July; however, declines in Canadian cattle imports continue to offset the increases in Mexican cattle imports.

Pork/hogs: High feed costs are expected to reduce the weights at which live hogs are marketed for slaughter for the remainder of the year and through 2012. Lower slaughter weights are forecast to marginally reduce pork production during this period. China was a major buyer of U.S. pork products in July. Total pork exports in July were almost 18 percent higher than a year ago.

Poultry: The U.S. broiler meat production estimate for third-quarter 2011 was increased by 25 million pounds to 9.4 billion pounds, down only 1 percent from the previous year. While the number of chicks being placed for growout is down significantly from a year earlier, average live bird weights at slaughter have continued to be much higher than during the same period in 2010. Over the last 5 weeks, an average of 162 million broiler chicks were placed weekly for growout, down 5 percent from a year earlier. Turkey meat production in July was 448 million pounds, down 4 percent from July 2010. This was the first monthly decline in U.S. turkey meat production in 2011, and over the first 7 months of 2011, turkey meat production was 4.1 percent higher than during the same period in 2010.

Poultry Trade: Broiler and turkey shipments rose in July from a year ago. Broiler shipments totaled 668 million pounds, an increase of 28.6 percent from July 2010 shipments. Turkey shipments totaled 53 million pounds, a 1 percent increase from last year.

Lamb/Mutton: Tight supplies in July and August, 2011 have kept live auction slaughter lamb prices and wholesale carcass prices consistently above those in 2010. Prices are expected to remain strong for the rest of 2011, which could contribute to an increase in lamb retention. Producers may be inclined to increase lamb retention rates in expectation of continued high prices. However, drought conditions in the Southwest United States, a major lamb producing area, could affect retention plans.

Dairy: Sharply higher feed prices for the balance of 2011 and into 2012 and lower forecast milk and dairy product prices next year will lead to a slight retrenchment in cow numbers. However, production per cow and milk production are expected to continue to rise both this year and next.

No Drought Relief from Recent Tropical Storm Activity

Some areas in the Southeast—primarily parts of Louisiana, Mississippi, Alabama, Tennessee, and up through the Appalachians—received hurricane/tropical storm-related rains during early September. While these rains improved prospects for some limited areas with cool-season pastures for this fall/winter—which, given hay prices, could help alleviate some of the drought-related cow-herd liquidation in those limited areas—the rains were not widespread enough to relieve most of the drought-affected areas. Pastures in other areas near the hurricane-lashed Atlantic Coast also benefited from hurricane Irene’s rain shadow, but again, were not widespread enough to affect more than limited local conditions. As a result, prospects for winter wheat pasture over most of the Southern Plains remain dismal at best over the near term. Hay prices have increased significantly, especially in Southern areas. Some of the failed corn was likely salvaged for feed in some areas. Farther north, areas of the Midwest became increasingly drier, further reducing current corn crop prospects.

One implication is that only the most valuable cows will justify expenses for hay supplies to feed them through the winter, and calves will likely continue being placed in feedlots, whether on growing rations or full feed rations. Those more or less typical placements of heavier calves and yearlings in feedlots—although probably not at weights as heavy as in a year with more normal precipitation—will likely go to market in late 2011-early 2012. The less typical, drought-induced placements of the lightweight portion of calves will not reach market weight—also likely to be somewhat low—and finish until early 2012. As drought-induced placements continue, they will contribute to already larger year-over-year marketings from feedlots of 1,000 head or more and commercial steer and heifer slaughter, which will exert some downward pressure on fed cattle prices until the extra placements are worked through.

The National Agricultural Statistics Service’s (NASS) *United States and Canadian Cattle* report released August 22 indicated a 2-percent decrease in July 1 Canadian cow inventories, but a 7-percent increase in beef replacement heifers. This 7-percent increase in beef replacement-heifer inventories is likely directed at capturing the earliest demand for breeding females and calves in 2013 and beyond. It appears that similar inventory adjustments could be occurring in the Northern United States. Although the January 1 NASS *Cattle* inventory report indicated some heifer retention in most Northern tier States, evidence thus far of Northern tier replacement heifer retention has been predominantly anecdotal. In either case, increased replacement heifer retention could position cow-calf producers in those Northern areas where there are adequate pastures and winter feed to take advantage of the anticipated reduced supplies of cows and feeder cattle, beginning in mid- to late 2012.

Drought Increases Beef Production Potential

Due to the drought-induced placements of feeder cattle, feedlots in the Southern Plains are increasingly full of cattle. The numbers of cattle placed at lighter weights in Southern Plains feedlots will result in generally longer feeding periods and lower slaughter weights when they go to market. Although dressed weights are increasing

seasonally, they are not increasing as fast as in other years because of the large placements of lightweight calves, and atypical patterns in placement weights and fed cattle weights are occurring. These lightweight placements will likely lead to slightly reduced beef production on a per head basis, but they could result in total steer and heifer beef production for the remainder of 2011 and perhaps into the second quarter of 2012, that is close to year-earlier production. Cattle marketed from Central and Northern Plains feedlots continue to sell at an unseasonal premium over Southern Plains feedlots, as they have for most of 2011. The premiums, at least in part, are likely due to the larger numbers of generally heavier yearling cattle preferred by packers being marketed from Northern and Central Plains feedlots, whereas the Southern Plains feedlots are marketing relatively larger numbers of calves.

Estimated cattle feeding margins (High Plains Cattle Feeding Simulator results: <http://www.ers.usda.gov/publications/ldp/LDPTables.htm>) turned negative in May 2011, following almost a year and a half of positive or near-positive margins. Current simulated cattle feeding margins imply losses of well over \$100 per head, and with current expectations for higher corn prices, steady feeder cattle prices, and steady-to-declining fed cattle prices, negative margins appear likely to continue through the remainder of 2011, possibly into early 2012.

The spread between weekly wholesale Choice and Select cutout values has widened since mid-August as Select cutout values have declined relative to Choice, perhaps due to a decline in the price of Select middle meats relative to Choice. The large supplies of cow beef are adversely affecting processing beef imports, while helping to maintain sufficient supplies of ground products. Dressing percentages for steers and heifers are creeping upward, which often implies more fat on carcasses. Higher dressing percentages and the implied larger amount of fatter trim per carcass could partially account for the recent decline in relative prices of 50-percent lean trim compared with leaner trim like 90-percent lean trim.

Monthly average retail Choice beef prices declined steadily from their record peak this past May through July, but in August 2011 jumped back to \$4.87, equaling May 2011's high. Despite the August price, retail beef prices could decline into fall and winter due to the seasonal post-Labor Day decline in demand for grilling proteins, especially in light of the potential for increasing supplies of beef, abundant supplies of pork and poultry, and declining wholesale and retail pork prices.

Strong Growth in U.S. Beef Exports to Major Export Markets Continues

A weak U.S. dollar and higher year-over-year production levels have resulted in U.S. beef exports continuing well above year-ago levels. Exports through July are 27 percent higher, year-over-year. Strong export growth continues to many of the United States' top beef export markets, including Canada (+36 percent), Japan (+44 percent), and Korea (+56 percent). Exports to Mexico are fractionally below year-earlier levels. Exports to these four countries combined have accounted for 68 percent of total U.S. beef exports through July. Strong year-over-year export growth has also continued to Hong Kong (+54 percent), Russia (+56 percent), and Egypt (+30 percent).

The U.S. dollar has weakened against the currencies of major U.S. beef importing countries, most notably over the past year, and has facilitated much of the growth in exports. The Japanese yen reached a new low against the U.S. dollar in August at 76.40 yen per USD and averaged 76.97 yen per USD for the month, also a low. The South Korean won was also at the lowest levels this summer (1057.85 won per USD) since August 2008. The won strengthened slightly in August to average 1075.85 won per USD.

While the exchange rate has been favorable to U.S. exports and will remain relatively weak, more beef has also been available for export. Drought in the Southern half of the United States has prompted U.S. producers to continue culling herds. Cattle have been pulled forward into feedlots, a trend that has been in place for most of the past year, elevating production levels in the short term.

U.S. beef export levels are expected to remain elevated through the third quarter, as a relatively larger amount of beef will remain available for export. Third-quarter growth is forecast at 24 percent. Export levels for the fourth quarter are expected to be fractionally below year-earlier levels as the U.S. beef supply begins to tighten into 2012. Total U.S. beef exports for 2011 are forecast at 2.71 billion pounds, 18 percent higher year-over-year.

Beef Imports Hampered by Exchange Rate, Supply Limitations

While favorable exchange rates aid U.S. beef exports, the converse is true for imports of beef to the United States. Product flow from major suppliers has been challenged by strong currencies in addition to supply limitations, namely from Australia and Canada. U.S. beef imports through July were 17 percent below year-earlier levels—26 percent lower from Canada and 29 percent lower from Australia. The U.S. dollar hit a new low in July against the Canadian dollar at .95 CAD per USD, as did the Australian dollar at .93 AUD per USD. Since then, the exchange rate has only marginally improved for exporters of beef to the United States, and supply limitations from these countries have further hampered imports. Herd rebuilding in Australia has constrained the supply of beef for over a year and, as with the U.S. cattle herd, Canadian cattle inventories are at cyclical and historic lows. Increases in beef imports are expected to begin in the fourth quarter, with 13 percent year-over-year growth forecast. Beef import totals for 2011 are forecast at 2.09 billion pounds, and 15-percent growth is forecast for 2012, at 2.41 billion pounds.

Increase in Mexican Cattle Imports Offset by Decline in Canadian Cattle Imports

Mexican cattle imports through July are 20 percent higher compared with the same period last year. Much of northern Mexico is still experiencing “severe to exceptional” drought, similar to Texas, especially states from which the majority of U.S. live cattle imports are imported, including Chihuahua and Sonora. This factor, along with U.S. feeder cattle prices that have averaged over \$27 per hundredweight (cwt) higher this year (January-August) than comparable Mexican feeder prices, has fueled the increases in Mexican cattle imports. These lightweight cattle from Mexico have largely been placed directly in feedlots.

Imports of Canadian cattle, however, are 41 percent lower year-over-year, and that decrease is more than offsetting the increase in imports of Mexican cattle. The U.S.-Canadian slaughter cattle price differential has narrowed since June, but has seldom been above year-earlier levels. Total U.S. cattle imports through the first half of the year are 12 percent lower than the same period a year earlier. This year, 2.15 million head are forecast to be imported—6 percent below 2010; 2.05 million head are forecast to be imported next year, with the decrease also a function of tight inventories in Canada and Mexico.

High Feed Prices Likely To Drive Hog Weights Lower

With larger anticipated fall-quarter hog numbers just around the corner, U.S. hog prices have tailed-off steadily since reaching a record-high of \$79.33 per cwt in early August. At the same time, cash prices of corn in Iowa, the largest hog producing State in the country, have traded in the high \$6 to low \$7 per bushel range since mid-July. Declining output prices, concurrent with increasing costs of major feed inputs, spell narrower spreads between the cost of feed and the selling price of finished hogs. While producers' estimated quarterly feed cost spreads remain positive through 2012—calculated with USDA forecast prices of corn, soybean meal and hogs—spreads will narrow for the fourth quarter of 2011, and spreads for the first three quarters of 2012 are below those of 2011.

Hog producers are likely to respond to lower feeding spreads by reducing the weights at which they market hogs for slaughter. However, packer discounts for underweight animals are likely to limit producer incentives to reduce slaughter weights too sharply. USDA is reflecting expectations for narrowing feed spreads in lower year-over-year estimated average dressed weights for the second half of 2011 and into 2012. Third-quarter commercial pork production is expected to be nearly 5.5 billion pounds, about 1 percent higher than a year ago. Fourth-quarter pork production is anticipated to be 6.1 billion pounds, about 1 percent below the same period last year. Prices for live equivalent 51-52 percent hogs are expected to average \$70-\$71 per cwt in the third quarter, about 17 percent above a year ago. Fourth-quarter prices are expected to be \$60-\$64 per cwt, almost 24 percent above the same period last year.

China a Major Buyer of U.S. Pork Products in July

U.S. pork exports were up sharply in July, propelled largely by shipments to Asia—China and S. Korea in particular. July exports were 386 million pounds, almost 18 percent higher than a year ago. Evidence of China's rumored purchases of U.S. pork products finally showed up in U.S. export statistics: China purchased about 44 million pounds of U.S. pork products in July, more than double the July 2010 volume. Importation of U.S. pork products appears to be part of an effort by the Government of China to supplement domestic pork supplies in order to reduce food price inflation. Lower than expected pork production this year, due to disease outbreaks in 2010 and continued industry exit by small backyard producers, comes at a time when strong economic growth and increasing disposable income have increased pork demand, and pork prices. U.S. exports to China are likely to remain year-over-year higher for the balance of 2011.

Third-quarter U.S. pork exports are expected to be 1.2 billion pounds, more than 26 percent above a year ago. Fourth-quarter exports are forecast at 1.3 billion pounds, an increase of more than 13 percent over fourth quarter 2010. Total exports this year are expected to reach 4.95 billion pounds. Total exports in 2012 are forecast at 5.135 billion pounds, an increase of almost 4 percent. Although still robust, the growth rate of 2012 exports is expected to moderate compared with 2011 as Asian pork supplies rebound from production declines due to disease problems.

Third-Quarter Broiler Estimate Increased, Fourth-Quarter Estimate Lowered

The U.S. broiler meat production estimate for third-quarter 2011 was increased by 25 million pounds to 9.4 billion pounds, down only 1 percent from the previous year. While the number of chicks being placed for growout is down significantly from a year earlier, average live bird weights at slaughter have continued to be much higher than during the same period in 2010, almost completely negating the downturn in the number of broilers going to slaughter. The broiler meat production estimate for the fourth quarter was lowered to 9.2 billion pounds, down 25 million pounds from the previous estimate. The reduction in fourth-quarter production stems chiefly from the impact of continued lower chick placement. However, unlike in third-quarter 2011, live bird weight at slaughter is expected to be much closer to that of the previous year. The new production estimate for 2012 is 37.5 billion pounds, only a slight increase from the previous year. This downward revision in the 2012 production estimate was due to expected continued high grain prices, along with only minor improvements in the domestic economy.

Broiler meat production in July was 3.0 billion pounds, down 1.5 percent from a year earlier. This decline in production can be attributed chiefly to the fact that July 2011 had one fewer slaughter day than the previous year. The number of birds slaughtered in July was down 4.7 percent to 696 million. Most of the decrease in the number of birds slaughtered was offset by a 3-percent gain in average liveweight, to 5.76 pounds. During August and September, the number of chicks placed for growout is expected to remain well below the level of the previous year, while higher average weights are also expected to continue. Average weights in the fourth quarter are expected to be only slightly higher than the previous year.

For the 5-week period ending September 10, the National Agricultural Statistics Service estimated that an average of 162 million broiler chicks were placed weekly for grow out. This is a 5-percent decrease from the similar period in 2010. Since the middle of June, the year-over-year declines in the number of chicks placed have grown from only slightly lower to sharply lower. This pattern of strong declines in chick placements for growout is expected to continue through the remainder of the third quarter and into the fourth.

Stock Levels Up Slightly at the End of July

After being unchanged in June, the quantity of broiler products in cold storage at the end of July rose by just under 10 million pounds to 726 million pounds, 14 percent higher than the previous year. Although the stock levels rose for a number of the reported categories, most the increase was in the basket category of unidentified products, which saw an increase of 22 million pounds to 301 million pounds, or 41 percent of all broiler holdings in cold storage. With slower growth in production in the third quarter, stock levels are expected to decline to 685 million by the end of the third quarter and are expected to be 700 million pounds at the end of 2011.

Breast Meat Prices Move Higher in August

While prices for most breast meat products increased in August compared with July levels, prices for these products continue to be well below their year-earlier levels. Wholesale prices for boneless/skinless breast meat in the Northeast market averaged \$1.29 per pound in August. Although up 9 cents from the July price, it is 36 cents (22 percent) lower than a year earlier. Prices for breasts with ribs and tenderloins have followed a similar pattern. Prices for leg meat products are stronger than the previous year. Prices for leg quarters averaged \$0.50 per pound in August, up over 5 cents from the previous month and 23 percent higher than in August 2010. Prices for other leg meat products have also had strong gains compared with the previous year. Prices for whole thighs and boneless/skinless thigh meat are both over 30 percent higher than a year earlier. Lower broiler meat production in fourth quarter 2011 would normally be expected to place upward pressure on most broiler product prices. However, with a weak economy and relatively high cold storage levels, it is likely to take some time before significant price increases are seen, especially for breast meat products.

Turkey Production Down 4 Percent in July

Turkey meat production in July was 448 million pounds, down 4 percent from July 2010, which, in turn, was down 4 percent from July 2009. The decrease was chiefly due to the fact that July 2011 had 1 less slaughter day than July 2010. The reduced number of slaughter days led to a lower number of turkeys slaughtered, but average weights were actually up slightly. In July, the number of turkeys slaughtered was 19.4 million, a decrease of just over 5 percent from the previous year. The average live weight at slaughter was 29.1 pounds, up 1.8 percent from the previous year.

July was the first monthly decline in U.S. turkey meat production in 2011. Over the first 7 months of 2011, turkey meat production was 4.1 percent higher than during the same period in 2010. The forecasts for the third and fourth quarters of 2011 are 1.42 and 1.49 billion pounds. The forecast for the third quarter is slightly higher than the previous year as higher average weights are expected to counterbalance any reductions in the number of birds slaughtered, and production in fourth-quarter 2011 is expected to be down over 2 percent from the previous year, due to a lower number of birds slaughtered. The estimate for 2012 turkey meat production is 5.7 billion pounds, a decline of slightly less than 1 percent from production in 2011. The reduction is expected to arise from a lower number of poults placed for growout as higher grain prices and a weak domestic economy put downward pressure on production, although there may some increases in the later part of 2012.

For 21 consecutive months, between September 2009 and May 2011, cold storage holdings of turkey products were lower on a year-over-year basis. This changed in June 2011, when cold storage holdings were up slightly, and even with a decline in turkey meat production, cold storage holdings in July rose to 525 million pounds, 5 percent higher than the previous year. At the end of July, cold storage holdings of whole turkeys were 288 million pounds, still down 1 percent from the previous year. The lower cold storage holdings for whole birds are the result of fewer whole toms in cold storage (151 million pounds, down 7 percent) as holdings for whole hens totaled 137 million pounds, up 7 percent from the previous year. At the end of July, holdings of turkey parts totaled 237 million pounds, 12 percent higher than a

year earlier. While the amount of whole birds and breast meat was down slightly from the previous year, cold storage holdings of other turkey products were all significantly higher, even with a strong export market.

Total cold storage holding are expected to fall to 485 million pounds by the end of third-quarter 2011, 2 percent higher than the previous year. By the end of 2011 cold storage holdings of whole turkeys and turkey parts are forecast at 200 million pounds, up about 4 percent from the very low ending stocks of 2010.

The divided nature of cold storage holdings of whole turkeys may have an uneven impact on whole bird prices through the rest of the third quarter and into the fourth quarter. In August the national wholesale price for frozen whole hen turkeys was \$1.05 per pound, 8 percent higher than a year earlier and 1 cent higher than the previous month. Prices for frozen tom turkeys were \$1.07 per pound, a 10-percent increase from the previous year. The national prices for both hens and toms have increased at similar amounts, although the stocks positions are very different for the two products.

Table Egg Flock Down Slightly in July

In July, the number of birds in the table egg flock was reported at 279.3 million, down just under 1 percent from a year earlier. This is the third consecutive month that the size of the table egg flock has been below the previous year and the flock size was lower in 5 of the first 7 months in 2011. But even with the small decline in the number of hens in the flock, table egg production in July was slightly higher at 554 million dozen, up 0.6 percent from the previous year. Over the first 7 months of 2011, table egg production totaled 3.82 billion dozen, up less than 1 percent from the same period in 2010. Thus, for most of the first 7 months of 2011, the increase in table egg production was due to a higher rate of eggs laid per hen.

The hatching flock for meat-type birds (broiler-breeder flock) was reported at 53.6 million in July, down almost 3 percent from the previous year. The number of hens in the broiler hatchery flock has been lower on a year-over-year basis for the last 6 consecutive months. These decreases reflect the decrease in broiler chick demand as broiler integrators have faced large increases in production costs due to high grain prices and relatively weak domestic demand.

In August 2011, the wholesale price for eggs in the New York market averaged \$1.32 per dozen, up about 28 cents per dozen from the previous month and up 25 cents from the previous year. However, this spike in prices seems to be a short term phenomenon with prices in the early part of September having dropped to around \$1.10 per dozen.

With this short-lived runup in egg prices, the third-quarter 2011 average for New York egg prices is now expected to average \$1.12-\$1.13 per dozen, up almost \$0.20 from third-quarter 2010. Prices in fourth-quarter 2011 are forecast at \$1.15-\$1.21 per dozen. This strengthening in prices in the fourth quarter is expected to come from both a continued smaller table egg flock and a normal seasonal demand increase.

Egg Exports Higher in July

U.S. egg exports totaled 20.3 million dozen in July, up 4.6 percent from a year earlier. During the first 7 months of 2011, the shell egg equivalent of total egg exports totaled 159.6 million dozen, up 11 percent from the previous year. Even with domestic prices for table egg prices strengthening slightly in July, exports were higher to a number of countries. A good percentage of the increase was from higher exports to Asian markets. Total egg exports to Japan, Hong Kong, and Korea were all significantly higher than the previous year. However, these increases were partially counterbalanced by lower exports to Canada.

Total egg and egg equivalent exports in 2011 are forecast at 279 million dozen, down slightly from the previous forecast, but up 8 percent from 2010. With a relatively weak U.S. dollar, egg exports are expected to remain strong through the end of 2011, with much of the growth from shipments to Asian markets.

Broiler Shipments Up Considerably in July

Broiler shipments in July 2011 totaled 668 million pounds, 28.6 percent more than in July 2010. Countries that made major contributions to this increase include Russia, Hong Kong, Angola, Cuba, and Georgia. Together, these five markets represented 33 percent of the total broiler exports for July 2011 compared with 18 percent a year ago. One of the markets that will be essential to helping third-quarter broiler exports reach a level comparable to the 2010 fourth-quarter is Russia. Although the United States shares Russia's import quota with Brazil, U.S. leg-quarter prices are more competitive than they are for Brazil. Thus, as Russia increases its broiler imports and draws down its 2011 quota, broiler shipments in the third quarter could be 1.65 billion pounds, barring no unusual changes in broiler flows to the leading U.S. broiler market, Mexico.

Turkey Shipments Rose Slightly in July

Turkey shipments in July 2011 increased only 1 percent from a year earlier. A total of 52.8 million pounds of turkey meat were shipped in July 2011. Most of the increase in turkey shipments went to Mexico, which imported 4 million pounds, or 15 percent more turkey meat than it did in July 2010, and accounted for 58 percent (30.4 million pounds) of the U.S. total turkey shipments. Percentage-wise, Canada and Hong Kong saw the largest increases in turkey shipments in July 2011. Almost 3 million pounds, 60 percent more turkey meat was exported to Hong Kong, the third largest market for U.S. turkey, than a year earlier. Canada also helped contribute to July's increase with shipments more than doubling (a 107-percent rise) from July 2010. Mexico, Hong Kong, and Canada were responsible for almost all of July's increase in turkey shipments. However, almost all increases in July's broiler exports by Mexico, Hong Kong, and Canada were offset by low shipments to the Dominican Republic, China, and Taiwan.

Lamb Prices Continue To Hit Record Levels

Live auction slaughter lamb prices at San Angelo, Texas for July and August 2011 were consistently above those in 2010. Choice Slaughter lamb prices at San Angelo averaged \$155 and \$175, respectively, per cwt during the first and second quarters of 2011, more than \$15 per cwt higher than any period in 2010. Third-quarter Choice prices are expected to average \$168-169 per cwt. Low production in July and August 2011 has also kept wholesale carcass prices consistently above those in 2010. Continued tight supplies could trigger a higher than normal rate of lamb retention. However, drought conditions in the Southwest United States, a major lamb producing area, could affect retention plans.

Sharp Decline in Third Quarter Production Expected

Third-quarter 2011 commercial production of lamb and mutton is forecast at 36 million pounds. This is about 8 percent below the third quarter of 2010 and is expected to be the lowest U.S. quarterly lamb production on record. July commercial slaughter lamb production totaled 10.9 million pounds, and August is expected to be about 12.7 million pounds. Both the volume of lamb and mutton slaughtered and the average slaughter weights are expected to be below 2010 levels. Third quarter is typically the lowest production period for lamb and mutton, but high prices and possible high retention could be exacerbating the record low production.

Imports have been steady for 2011, continuing to partly offset the tight domestic supplies. Lamb and mutton imports in the first 7 months were 111 million pounds, up 5 percent from the same period last year. Third-quarter imports are forecast at 33 million pounds, 6 percent above the same period last year. Import increases for the rest of 2011 are expected, as continued tight domestic supplies are expected to persist. Despite a relatively strong Australian currency relative to the U.S. dollar, imports of Australian lamb have not slowed. Australia continues to be one of the major suppliers of global lamb.

Lamb and mutton exports have increased during the first 7 months of 2011 to 11 million pounds, up 6 percent from the same period in 2010. Third- and fourth-quarter 2011 exports are forecast at 4 million pounds each, 25 percent above those quarters in 2010.

Live Exports at Record Lows

The 2011 live sheep and lamb exports are at record lows. Live exports for the first 7 months have been 40,882 head, 54,000 head below the same period last year. Live exports are mainly to Mexico and are normally mature and/or culled animals. Given the fairly strong prices in all categories of the sheep complex, it is likely that producers are retaining ewes for flock expansion. This could bode well for the breeding sheep inventory, which has experienced declines for the past 3 consecutive years.

Positive Outlook for Sheep Prices World-wide Amid Tight Supplies

Long-term trends and recent market developments have acted to increase the price of lamb and mutton meat in markets around the world in recent years. Price increases are due to a combination of factors—reduced inventories in some of the major consuming and export-oriented markets; increased demand from rising incomes in a number of countries; and other macroeconomic conditions, especially in some of the export-oriented sheep producing countries. According to the Food and Agriculture Organization of the United Nations (FAO), lamb and mutton average producer price for its reporting countries was US\$2.11 per pound in 2008 (the most recently available data), up 71 percent from 2001. In the last 2 years, sheep prices in Australia, New Zealand, and the United States have nearly doubled in all categories of the industry.

Though global sheep numbers have remained fairly stable since 1960, with inventories remaining close to 1.1 billion throughout the period, sheep numbers in some of the major sheep-consuming and export-oriented producing countries have declined steadily (fig.1). Australia and New Zealand, the largest exporters of lamb and mutton globally, have seen drastic declines in inventory. Inventories in Australia and New Zealand have been reduced 17 and 18 percent, respectively, in the last 5 years. The European Union (EU) and the United States—major consumers of high-value lamb—have seen drastic declines in their sheep numbers as well. Much of the decline in these countries' sheep inventories stems from structural adjustment in response to an underlying longrun decline in demand for raw wool and to low returns for wool relative to returns from prime lamb production and other farm enterprises. These adjustments have led to the continued declining sheep numbers and to fewer wool-producing farms. However, significant growth in sheep numbers in India and Pakistan, North Africa (Algeria and Sudan), and until recently, China, helped to offset some of the inventory declines among other producing nations.

Although sheep inventories have been quite flat for decades, the impact on meat production has been ameliorated somewhat by rising productivity that supported growth in lamb production and trade. Productivity, as measured by the change in dressed weight per animal over time, has increased nearly 60 percent since 1965, resulting in higher levels of lamb and mutton production (table 1). Productivity growth in U.S. sheep, for example, has increased by nearly 0.5 pounds per animal per year (a 48-percent increase since 1960), but the United States produces only 1 percent of the world's sheep. China's productivity growth has similarly increased 46 percent. New Zealand and Australia have also seen some productivity growth—4 percent and 13 percent, respectively.

However, consumption in many countries has likely benefited from population growth, rising incomes, and urbanization. Asia, for example, has seen its per capita lamb consumption more than double since 1960, largely due to income growth and urbanization (table 2). According to Hsu, Chern and Gale (2002) studies have shown that when people move to cities or towns, they tend to consume more meat, processed foods, and restaurant meals-, and less grain. In 2000, China's household surveys showed that per capita red meat consumption in urban areas was 40 percent

higher than in rural areas. Per capita income growth has transformed some Asian countries into major importers of lamb and other meats. For example, China comprises about one-fifth of the world's population. Its per capita lamb consumption has increased by 4 percent since 1980 and it has turned to international markets to supplement its production. In the last decade alone, China's lamb and mutton imports have increased by more than 500 percent. In countries where growth of demand has outpaced domestic production, there has been support for domestic lamb prices. Those countries that are increasing imports to support their domestic consumption are providing support for prices in exporting regions.

Given the importance of New Zealand and Australia to the global lamb market, changes in their sheep inventories and macroeconomic conditions have also influenced recent developments in global sheep markets. New Zealand and Australia rank as the world's top two sheep meat exporters and together account for nearly 90 percent of global export quantity. Declining inventories in these two countries has thus tightened meat supplies and led to higher prices. In recent years, the strengthening of Australian and New Zealand currencies has also contributed to rising prices, as imported lamb has become more expensive in local currency terms. Global lamb trade has trended moderately upward, increasing by nearly 30 percent since 1995, with export growth led by Australia and import growth led by United States and China (table 3).

Sheep inventories and lamb and mutton meat prices in many countries are at levels that would encourage herd rebuilding, a development that would be expected to negatively impact market supply and sustain higher prices in the short term. Under these conditions, lambs that could potentially form part of the current marketing chain would be retained for the breeding herd. The sheep cycle runs at least 2 years, and for much of the U.S. sheep industry, which operates on a seasonal pattern (breeding in fall, lambing in spring), the cycle could be closer to 3 years. Thus, if a producer chooses to retain lambs born in spring for the breeding herd, they normally would not be bred for the first time until they are about 18 months old. Hence, it would take closer to 3 years from their birth to the time their offspring could be slaughtered and ready for market.

Many sheep industries around the world are facing environmental challenges. Debilitating drought conditions in the Southwest United States, a major sheep producing region, are hampering domestic opportunities for expansion. The sheep and wool industry in Australia is facing a number of environmental challenges. Salinity problems, woody weeds, vegetation management, and degraded soil issues continue to pose a challenge to sheep production in the high rainfall zones of Western Australia. In New Zealand, increasingly severe weather events and pressures on the country's natural resource base will test the resilience and sustainability of the sector.

In the face of constraints on expansion and the length of time inherent in the sheep cycle, total world sheep inventories are unlikely to show any significant increase in the near term. As a result, lamb and mutton production is expected to remain constrained, and global lamb and mutton prices are expected to remain strong. Australia and New Zealand, the primary exporters, will continue to shape global lamb and mutton prices well into the future, unless other countries emerge as major traders—an uncertain

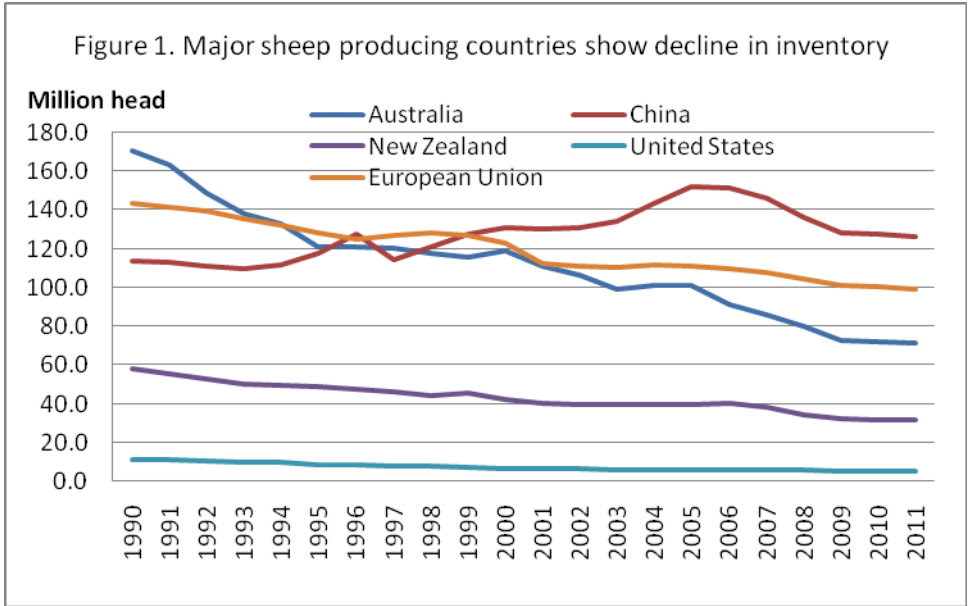
prospect given sanitary and animal health issues that restrict imports from many countries. While countries such as India, Pakistan, Algeria, and Sudan have seen growth in their sheep inventories, they have also seen significant growth in their populations causing their domestic demand to outweigh their domestic supplies and making it difficult for them to become important players as lamb and mutton exporters.

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Source: FAO Statistics Division, United Nations

Table 1. Global lamb and mutton production in selected countries/regions

Year	Production (Million Pounds)							World
	Australia	China	Mexico	New Zealand	United States of America	¹ European Union		
1965	1,331	190	50	1,066	661	1,823	11,288	
1970	1,691	258	47	1,240	560	1,921	12,402	
1975	1,181	356	46	1,100	417	2,107	11,888	
1980	1,229	560	50	1,254	323	2,402	12,650	
1985	1,155	672	54	1,631	363	2,624	13,930	
1990	1,406	1,228	55	1,187	369	2,998	15,749	
1995	1,392	2,016	67	1,194	292	2,782	16,148	
2000	1,523	3,311	75	1,194	238	2,689	17,166	
2005	1,333	4,032	104	1,216	191	2,366	17,654	
2010*	1,460	4,466	113	1,061	168	1,906	17,983	
2011*	1,445	4,422	111	1,050	156	1,887	17,803	

Source: FAO Statistics Division, United Nations

*Forecast

¹Represent the aggregated European Union 27.

Table 2: Global consumption of lamb mutton and goat, 1965-2007 selected years.

Year	Pounds per capita										
	Canada	Mexico	United States of America	Africa	Central America	Caribbean	South America	Asia	Europe	Oceania	World
1965	2.93	1.61	3.48	5.56	1.37	1.17	4.56	1.81	7.63	79.70	3.95
1970	3.75	1.61	3.02	5.75	1.30	1.37	4.52	1.83	7.52	77.80	3.88
1980	1.72	1.72	1.54	5.42	1.34	1.15	2.51	2.09	7.12	45.64	3.46
1990	1.74	1.87	1.57	5.20	1.46	1.54	2.40	2.67	7.78	50.16	3.84
2000	1.98	2.58	1.17	5.42	1.94	1.94	1.90	3.66	5.22	40.08	3.97
2005	2.36	2.65	1.04	5.40	1.96	1.92	1.68	4.06	4.81	30.78	4.10
2007	2.56	2.58	1.17	5.49	1.90	2.31	1.61	4.17	4.72	33.31	4.17

Source: FAO Statistics Division, United Nations.

Table 3. Leading Global Lamb and Mutton Trading Countries, 1995-2010

Year	Exporters		Importers			
	Australia	New Zealand	China	United States	EU27 (External Trade)	Mexico
	---Million Pounds---		-----Million Pounds-----			
1996	457.9	818.2	3.5	67.6	N/A	15.7
1997	513.7	797.2	7.4	73.0	N/A	30.1
1998	546.5	750.8	8.9	83.5	N/A	47.6
1999	584.0	729.4	20.3	114.2	N/A	60.1
2000	685.0	788.4	23.0	111.2	466.7	75.3
2001	680.3	764.7	39.2	133.2	481.4	98.5
2002	649.6	753.3	55.9	148.1	476.1	107.8
2003	545.2	789.2	76.9	162.8	480.7	103.5
2004	604.2	770.1	75.1	171.0	481.6	88.8
2005	690.3	800.0	72.8	183.9	463.6	124.3
2006	752.7	818.6	91.2	187.2	486.9	83.8
2007	742.9	884.6	81.2	198.9	500.9	71.6
2008	734.8	934.1	102.7	206.9	495.0	75.2
2009	738.7	819.1	122.2	190.8	490.4	70.8
2010	648.3	783.4	146.5	179.3	488.5	46.1

Source: Global Trade Information Services. The GTIS World Trade Atlas: U.S.

State Export Edition database

*Note: N/A implies that data for EU external trade was not available.

High Feed Prices and Low Milk Prices Will Trim the U.S. Dairy Herd in 2012

Dryness and heat throughout the Corn Belt led to a downward revision in the corn yield forecast in for 2011/12 in the September Crop Production report. If the forecast is realized, the projected yield would be the lowest since 2005/06. Despite lower expected yields, production could be the third highest ever because of expanded acreage. The corn price forecast was increased from last month to \$6.50 to \$7.50 per bushel for September and soybean meal price forecasts were raised in September to \$360 to \$390 per ton. The higher soybean meal prices reflect both lowered soybean plantings and expected yields compared with 2010/11.

Despite rising feed prices, milk production continues to advance, with forecast milk output rising 1.5 percent in 2011 to 195.7 billion pounds. Cow numbers continue to increase more than expected earlier and output per cow appears to have rebounded from the July and August heat. Cow numbers are projected at 9.2 million head this year, and output per cow was raised slightly from last month to 21,280 pounds for the year. In 2012, the U.S. dairy herd is expected to decline slightly to 9.19 million head, with most of the contraction coming in the second half of the year. With an additional milking day in 2012, milk per cow is forecast to climb by 1.5 percent to 21,605 thousand pounds. Although milk production and output per cow will be higher next year compared with 2011, the September forecast represents a downward revision from August estimates.

Fats basis milk equivalent imports were virtually unchanged from last month to 3.2 billion pounds both this year and in 2012. On a year-over-year basis, these forecasts continue a trend in declining imports that began in 2009. Skim-solids basis imports are projected at 5.3 billion pounds in 2011, falling to 5.1 billion pounds next year. In contrast to fats basis imports, these forecasts are an upward revision from August reflecting continued imports of caseins.

Fats basis exports are forecast to reach 9.2 billion pounds in 2011 and were revised up from August based on year to date exports of whole milk and cream, despite some fall-off in butter exports. In 2012, the expected weakening in butter exports will likely lead to reduced overall fats basis exports to 8.6 billion pounds. Skim-solids exports were bumped up from last month on the basis of nonfat dry milk (NDM), and dry whey exports and are projected to total 32.6 billion pounds for the year. In 2012, exports were reduced on expected declines in whey exports, although NDM exports will likely continue. The skim-solids export total is forecast at 32.3 billion pounds.

Fat basis domestic commercial use is expected to increase only slightly in 2011 to 188.2 billion pounds. Growth is expected to be stronger in 2012, with use forecast at 192 billion pounds. Skim-solids domestic commercial use is expected to rise over 2 percent to 167.5 billion pounds after contracting in 2010. Growth in skim-solids domestic use will likely slow in 2012 to a forecast 170.6 billion pound total for the year.

Product price projections were changed only slightly from last month. Cheese prices, for both blocks and barrels, slid under \$2 a pound for the week ending

September 3, 2011 for the first time since the week ending June 18, 2011, according to the weekly Dairy Products Prices report. Cheese stocks continued to build in July. Consequently, the cheese price forecast was lowered in September to \$1.825 to \$1.845 a pound for 2011, but was unchanged at \$1.670 to \$1.770 a pound for 2012. Butter prices are projected to be \$1.955 to \$1.995 this year and are forecast to decline to \$1.615 to \$1.745 a pound next year as butter stocks will likely build by year's end. The nonfat dry milk (NDM) price is expected to be \$1.505 to \$1.525 a pound in 2011 and \$1.375 to \$1.445 next year. NDM exports continue apace, supporting the high price this year. Lower expected exports in 2012 prompt the price weakening in 2012. Exports are also contributing to stronger prices for whey, which is forecast at 50.5 to 52.5 cents a pound this year. Lower exports will lead to softening prices next year, averaging 41.5 to 44.5 cents a pound.

Class III milk prices for 2011 were lowered from August to \$18.25 to \$18.45 per cwt as higher whey prices partially offset lower cheese prices. Next year, Class III prices are forecast at \$16.10 to \$17.10 per cwt. Class IV prices were unchanged this month from last. The Class IV price is projected to average \$19.05 to \$19.35 per cwt. Next year, the Class IV price is forecast at \$16.50 to \$17.60. The all milk price is forecast at \$20.15 to \$20.35 per cwt, a slight drop from the August forecast. Next year, the all milk price is expected to be \$17.80 to \$18.80 per cwt, unchanged from the August forecast.

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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/>
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U.S. red meat and poultry forecasts

	2005	2006	2007	2008	2009	2010	2011							2012				
	Annual	Annual	Annual	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Production, million lb																		
Beef	24,683	26,153	26,421	26,561	25,963	6,248	6,547	6,768	6,741	26,304	6,411	6,559	6,750	6,500	26,220	6,125	6,330	25,055
Pork	20,685	21,055	21,943	23,347	22,993	5,607	5,301	5,401	6,126	22,437	5,720	5,371	5,505	6,065	22,661	5,760	5,435	23,030
Lamb and mutton	187	185	183	174	171	43	40	39	42	164	36	40	36	39	151	40	38	154
Broilers	35,365	35,500	36,126	36,906	35,511	8,732	9,198	9,496	9,484	36,911	9,291	9,501	9,400	9,200	37,392	9,150	9,350	37,475
Turkeys	5,504	5,682	5,958	6,246	5,663	1,339	1,383	1,415	1,506	5,643	1,402	1,471	1,420	1,485	5,778	1,375	1,440	5,735
Total red meat & poultry	87,097	89,224	91,264	93,937	90,618	22,057	22,535	23,194	23,986	91,772	22,944	23,011	23,143	23,382	92,479	22,519	22,655	91,673
Table eggs, mil. doz.	6,413	6,522	6,435	6,403	6,485	1,611	1,627	1,645	1,667	6,550	1,627	1,639	1,650	1,665	6,581	1,600	1,615	6,525
Per capita disappearance, retail lb 2/																		
Beef	65.6	65.8	65.2	62.8	61.2	14.6	15.1	15.3	14.6	59.6	14.1	14.5	14.9	14.2	57.7	13.5	14.0	55.5
Pork	50.0	49.4	50.8	49.5	50.1	11.8	11.4	11.7	12.8	47.7	11.4	11.1	11.1	12.2	45.8	11.3	11.0	45.9
Lamb and mutton	1.1	1.1	1.1	1.0	1.0	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.9
Broilers	85.8	86.5	85.4	83.5	79.6	20.1	20.5	21.4	20.3	82.3	21.5	21.4	21.1	20.3	84.3	20.6	20.7	83.0
Turkeys	16.7	16.9	17.5	17.6	16.9	3.5	3.6	4.1	5.1	16.4	3.5	3.5	4.0	5.1	16.2	3.6	3.8	16.2
Total red meat & poultry	221.0	221.3	221.6	216.1	210.5	50.7	51.2	53.2	53.6	208.7	51.2	51.2	51.9	52.5	206.7	49.5	50.6	203.0
Eggs, number	255.8	257.8	250.1	248.9	247.7	61.4	61.3	62.0	62.7	247.3	60.9	61.2	62.0	62.1	246.3	60.3	60.6	244.3
Market prices																		
Choice steers, 5-area Direct, \$/cwt	87.28	85.41	91.82	92.27	83.25	89.44	96.33	95.47	100.28	95.38	110.07	112.79	113-114	109-115	111-113	108-116	110-120	110-119
Feeder steers, Ok City, \$/cwt	110.94	107.18	108.23	102.98	96.14	98.73	112.65	112.29	114	109.31	127.20	131.09	134-135	129-135	130-132	128-136	124-144	127-136
Cutter Cows, National L.E., \$/cwt	54.36	47.56	52.12	54.92	46.00	51.79	58.79	58.90	54.93	56.1	68.66	74.88	68-69	67-71	69-71	68-74	73-78	70-77
Choice slaughter lambs, San Angelo, \$/cwt	97.76	77.31	84.93	85.91	90.10	103.87	106.17	115.57	141.62	116.81	174.66	157.99	168-169	167-173	166-168	154-164	145-165	153-162
Barrows & gilts, N. base, l.e. \$/cwt	50.05	47.26	47.09	47.84	41.24	50.41	59.60	60.13	50.11	55.06	59.94	68.80	70-71	60-64	64-66	61-67	66-72	62-68
Broilers, 12 City, cents/lb	70.80	64.4	76.40	79.70	77.60	82.2	85	84.5	80	82.9	77.9	82.6	80-81	80-84	80-81	81-87	82-88	82-88
Turkeys, Eastern, cents/lb	73.40	77.0	82.10	87.50	79.50	75.6	84.4	97.9	103.7	90.4	90.2	99.9	105-106	106-112	100-102	88-96	93-101	95-103
Eggs, New York, cents/doz.	65.50	71.8	114.4	128.30	103.00	126	82.8	93.1	123.2	106.3	105.8	106.6	112-113	115-121	110-112	103-111	91-99	100-108
U.S. trade, million lb																		
Beef & veal exports	697	1,145	1,431	1,888	1,869	478	585	590	646	2,299	633	702	730	645	2,710	645	685	2,575
Beef & veal imports	3,599	3,085	3,052	2,537	2,628	573	690	598	436	2,297	461	593	568	495	2,089	570	655	2,410
Lamb and mutton imports	180	190	202	185	171	47	46	31	42	166	50	48	33	43	174	47	45	178
Pork exports	2,666	2,995	3,138	4,668	4,126	1,046	1,081	951	1,146	4,224	1,247	1,204	1,200	1,300	4,951	1,270	1,300	5,135
Pork imports	1,024	989	968	831	834	199	204	237	219	859	201	195	220	220	836	195	190	825
Broiler exports	5,203	5,205	5,771	6,962	6,835	1,469	1,699	1,643	1,954	6,765	1,530	1,584	1,650	1,700	6,464	1,600	1,650	6,700
Turkey exports	570	547	553	676	535	114	136	158	174	582	160	171	165	160	656	150	150	620
Live swine imports (thousand head)	8,191	8,763	10,005	9,348	6,365	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,400	1,435	5,716	1,460	1,430	5,725

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

	2010			2011					2012		
	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.)	9,126	9,130	9,117	9,165	9,198	9,215	9,210	9,197	9,215	9,200	9,190
Milk per cow (pounds)	5,267	5,208	21,149	5,283	5,483	5,275	5,240	21,280	5,400	5,540	21,605
Milk production (bil. pounds)	48.1	47.5	192.8	48.4	50.4	48.6	48.3	195.7	49.8	51.0	198.5
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	47.8	47.3	191.8	48.2	50.2	48.4	48.0	194.8	49.5	50.7	197.6
Milkfat (bil. pounds milk equiv.)											
Milk marketings	47.8	47.3	191.8	48.2	50.2	48.4	48.0	194.8	49.5	50.7	197.6
Beginning commercial stocks	13.5	12.2	11.3	10.9	12.1	13.4	12.8	10.9	11.4	13.0	11.4
Imports	1.0	0.9	4.1	0.8	0.7	0.8	0.9	3.2	0.8	0.7	3.2
Total supply	62.3	60.4	207.2	59.9	63.0	62.5	61.7	208.8	61.7	64.5	212.2
Commercial exports	2.4	2.2	8.3	2.5	2.7	2.2	1.9	9.2	2.1	2.2	8.6
Ending commercial stocks	12.2	10.9	10.9	12.1	13.4	12.8	11.4	11.4	13.0	14.6	11.5
Net removals	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	47.7	47.3	187.8	45.3	47.0	47.5	48.5	188.2	46.7	47.7	192.0
Skim solids (bil. pounds milk equiv.)											
Milk marketings	47.8	47.3	191.8	48.2	50.2	48.4	48.0	194.8	49.5	50.7	197.6
Beginning commercial stocks	12.7	12.5	11.3	12.3	11.9	12.9	12.1	12.3	12.2	12.2	12.2
Imports	1.3	1.3	4.8	1.3	1.2	1.3	1.5	5.3	1.3	1.3	5.1
Total supply	61.7	61.0	208.0	61.7	63.3	62.5	61.6	212.3	63.0	64.2	214.9
Commercial exports	8.4	8.7	32.1	8.4	8.4	8.2	7.7	32.6	8.1	8.2	32.3
Ending commercial stocks	12.5	12.3	12.3	11.9	12.9	12.1	12.2	12.2	12.2	12.9	12.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	40.9	40.0	164.0	41.5	42.0	42.3	41.7	167.5	42.8	43.1	170.6
Milk prices (dol./cwt) 1/											
All milk	16.80	17.70	16.29	18.73	20.13	21.70- 21.90	20.10- 20.60	20.15- 20.35	18.35- 19.35	17.25- 18.25	17.80- 18.80
Class III	15.06	15.40	14.41	16.63	17.50	20.45- 20.65	18.45- 18.95	18.25- 18.45	16.35- 17.15	15.45- 16.45	16.10- 17.10
Class IV	16.04	16.29	15.09	18.08	20.37	19.80- 20.10	18.20- 18.80	19.05- 19.35	16.75- 17.65	16.45- 17.55	16.50- 17.60
Product prices (dol./pound) 2/											
Cheddar cheese	1.587	1.614	1.523	1.710	1.751	2.20- 2.040	1.815- 1.865	1.825- 1.845	1.675- 1.755	1.595- 1.695	1.670- 1.770
Dry whey	0.362	0.373	0.372	0.425	0.499	0.555- 0.575	0.555- 0.585	0.505- 0.525	0.445- 0.475	0.415- 0.445	0.415- 0.445
Butter	1.915	1.955	1.702	1.990	2.052	2.015- 2.055	1.785- 1.865	1.955- 1.995	-1.950 1.700	1.615- 1.745	1.615- 1.745
Nonfat dry milk	1.174	1.185	1.169	1.375	1.610	1.560- 1.580	1.485- 1.525	1.505- 1.525	1.410- 1.470	1.365- 1.435	1.375- 1.445

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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