



Economic
Research
Service

Situation and
Outlook

LDP-M-252

June 16, 2015

Livestock, Dairy, and Poultry Outlook

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HPAI Outbreaks in the Midwest Impact Poultry Markets

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Tables will be released on June 30, 2015

The next newsletter release is July 16, 2015

Approved by the World Agricultural Outlook Board.

Poultry: Since the beginning of this year, the U.S. poultry industry has been confronted with multiple outbreaks of Highly-Pathogenic Avian Influenza, a virus lethal to poultry. To date, the heaviest incidence of the virus has fallen on table egg layers and on turkeys in Midwestern States. The virus has affected production, trade, and prices. Egg production has been forecast downward to reflect the impact of the outbreaks. The current outbreak of Avian Influenza (AI) has not significantly impacted the production of broiler meat. The primary impact of AI for the broiler industry has been in its export sector. Higher production and lower exports are expected to increase broiler supplies, raising cold storage holdings and placing downward pressure on prices. The turkey industry has seen AI impact both its production and exports. Both turkey production and export estimates have been revised reflecting the number of turkeys that have been culled and the number of full and partial trade restrictions that have been put in place.

Beef/Cattle: Falling beef prices and improved pasture conditions will likely intensify cattle producers' summer grazing intentions. Improved pasture conditions will provide forage for the already low cow numbers, and fewer cows will be slaughtered. Improved pasture conditions will also provide a longer grazing season for feeder cattle, which will leave fewer cattle for placement in feedlots until the end of the grazing season this fall. Falling fed-cattle and beef prices have led to negative cattle feeding and beef packer margins as consumers appear to be backing away from beef at its recent record prices

Recent Livestock, Dairy and Poultry Special Articles

"Effect of the Trans-Pacific Partnership on U.S. Dairy Trade," pdf pages 19-25 of November 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1221780/specialarticleldpm233.pdf>)

"Determinants of Japanese Demand for U.S. Pork Products in 2012," pdf pages 20-25 of the May 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1106754/ldpm227.pdf>)

Pork/Hogs: Second-quarter U.S. pork production is expected to be 5.9 billion lbs, almost 7 percent above a year ago, as the U.S. pork industry continues to recover from Porcine Epidemic Diarrhea (PEDv). Second-quarter hog prices are expected to average \$54-\$55 per hundredweight (cwt), about 36 percent below the second quarter of 2014. April pork exports were year-over-year higher for the first time since June 2014, as low U.S. prices offset some of the effects of high U.S. dollar exchange rates.

Dairy: Dairy export forecasts on a milk-equivalent, skim-solids basis have been raised to 38.7 billion pounds for 2015 and 39.5 billion pounds for 2016. Forecasts for milk production have been raised to 208.7 billion pounds for 2015 and 213.9 billion pounds for 2016. Annual forecasts for the all-milk price are \$17.15-\$17.55 per hundredweight (cwt) for 2015 and \$17.45-\$18.45 per cwt for 2016.

HPAI Outbreaks in the Midwest Impact Poultry Markets

The U.S. poultry industry is facing challenges in 2015 brought about by multiple outbreaks of Highly-Pathogenic Avian Influenza since the beginning of the year, increasing in frequency in April through early June. As of June 9, 2015, outbreaks in commercial or backyard flocks have been reported in 15 States, primarily located in the Midwest and on the West Coast. The outbreaks have been most concentrated in frequency and scale in Iowa and Minnesota and have primarily impacted table egg laying flocks and turkeys. Iowa has historically been the leading producer of table eggs in the United States, and Minnesota has led the nation in turkey production. Interactive charts detailing the status of HPAI outbreaks, State production data for broilers, turkey, and eggs for 2014, and information on countries that have placed trade restrictions on U.S. exports can be found on the Economic Research Service's Poultry and Eggs webpage.

Table Egg Production Down in April

Table egg production in April totaled 593 million dozen, 0.6 percent lower than a year earlier. The forecast for table egg production for 2015 was lowered to 6.9 billion dozen, a decline of 5.3 percent from 2014 and a decrease of 334 million dozen compared with last month's forecast. Table egg production for 2016 is forecast to be 7.0 billion dozen; an increase of 2.0 percent over 2015's forecast. The decline in the 2015 forecast is due to HPAI outbreaks, which have been reported in multiple commercial table egg laying flocks throughout May into early June, primarily in Iowa. The number of layer chickens affected by HPAI through early June was over 34 million, with a majority likely being egg layers. The wholesale price for one dozen large eggs in the New York region averaged \$1.69 in May 2015, about 30 percent higher than in May 2014. The sharp increase is likely related to supply constraints brought about by HPAI outbreaks. The forecast for 2015 stands at \$1.60 to \$1.66 per dozen; about 15 percent higher than in 2014. The price for 2016 is forecast at between \$1.36-\$1.47 per dozen.

Hatching egg production totaled 91.5 million dozen in April 2015, about 5 percent higher than in April 2014. The size of the hatching flock averaged 3.3 percent higher than a year earlier, at 58.4 million birds. Hatching egg production is forecast higher than the previous year throughout 2015, driven primarily by increased production of meat-type eggs for the broiler market. Total production of hatching eggs in 2015 is forecast at 1.1 billion dozen, 4 percent higher than in 2014.

Egg Exports Up due to Increased Exports to Mexico

Egg and egg product exports exceeded year-earlier levels in April by 17 percent, driven mainly by strong shell-egg exports to Mexico. On a shell-egg equivalent basis, U.S. shipments totaled 33.8 million dozen eggs. Egg and egg product shipments to Mexico in April totaled 14.6 million dozen, 200 percent greater than a year earlier. Of Mexico's import total, 10.6 million dozen came in the form of shell egg exports, with 68.3 percent in shipments of table eggs for consumption and the remainder in fertilized eggs for hatching. The forecast for egg and egg product

exports for 2015 was reduced to 369 million dozen, a decrease of 20 million dozen since last month's forecast. The decline is due to anticipation of reduced domestic supplies as a result of HPAI outbreaks. The 2016 forecast is 385 million dozen, a 4.3-percent increase over the forecast for 2015.

Broiler Meat Production Forecast Not Impacted by AI

Through the beginning of June the AI outbreaks that have impacted the turkey and egg industries have had no significant aggregate impact on broiler production. For the broiler industry the primary impacts of the AI outbreaks have been on the export sector, with numerous countries enacting full or partial bans on poultry products from the United States. What this situation has done is increase the amount of broiler products on the domestic market, boosting cold storage holdings and resulting in placing downward price pressure on a number of broiler products.

With continued gains in the domestic economy and relatively low grain prices, integrators in the broiler industry continue to expand the numbers of eggs placed in incubators and the number of chicks going for growout. Over the last 5 weeks (May 9 to June 6), the average number of chicks placed per week for growout was 173 million, up 3.7 percent from the equivalent period in 2014. The higher number of chicks placed for growout points toward continued expansion in broiler production into at least the third quarter.

The production estimate for second-quarter 2015 was increased by 25 million pounds to 10.1 billion pounds, up 5 percent from the previous year due to a combination of higher live weights and more birds going to slaughter. This expansion is expected to continue in the second half of 2015, with upward revisions to production forecasts in the third and fourth quarters. The broiler meat production total for 2015 is now forecast at 40.3 billion pounds, up 4.5 percent from 2014. Upward revisions were also made to the 2016 projections, raising it by 200 million pounds to 41.2 billion pounds.

Total broiler meat production in April 2015 was 3.3 billion pounds, 4 percent higher than in April 2014. Total broiler slaughter in April was 725 million birds, 2 percent higher than the previous year, and the average live weight for broilers was 6.12 pounds, a gain of 2 percent from a year earlier. Over the first 4 months of 2015, bird weights have averaged 6.1 pounds, a gain of 1.8 percent from the same period in 2014 and close to the average gain in 2014.

At the end of April, broiler products in cold storage totaled 733 million pounds, up 32 percent from a year earlier. Broiler stocks over the last 2 months have been markedly higher than the previous year as trade bans have resulted in more broiler products on the domestic market. At the end of April cold storage holdings of almost all broiler products were significantly higher than a year earlier, the one exception being holdings of wings. The largest contribution to the increase has been gains in leg quarters holdings. At the end of April, leg quarter cold storage holdings totaled 181 million pounds, 80 percent higher than the previous year and 52 million pounds higher than at the start of the year. This is not surprising as leg quarter products are the single largest export product: the trade bans are thus likely to have a greater impact on cold storage holdings of leg meat products since they

are a large component of trade. Breast meat products are chiefly a domestic product, with a relatively small amount exported to other countries.

With increasing production and restrictions on trade, cold storage holdings of broiler products are expected to expand. The forecast for ending stocks in second-quarter 2015 was increased by 25 million pounds to 775 million pounds. The forecasts for the third and fourth quarters were also increased, with ending stocks for 2015 now forecast at 775 million pounds, an increase of 50 million pounds from the previous forecast. The ending stocks forecast for 2016 were not increased, based on growth in exports in 2016 which that should take pressure off currently high stocks.

Production growth and trade restrictions are expected to combine to place additional broiler products on the domestic market, placing putting downward price pressure on many broiler products. In May, wholesale prices in the Northeast market generally reflected the changes discussed above for cold storage. Overall prices for most broiler products were lower than the previous year, with the exception of wings. The largest year-over-year declines were for leg meat products, but prices for whole birds and breast meat products were also significantly lower than a year earlier. May wholesale prices in the nNortheast market for bulk leg quarters averaged \$0.34 per pound, 32 percent lower than a year earlier, although prices for leg quarters were significantly lower in the southern market. Prices for drumsticks and boneless/skinless (B/S) thigh meat were down 33 and 19 percent, respectively.

Prices for whole broilers are forecast at \$1.03 to \$1.06 per pound in second-quarter 2015. Larger supplies of broiler products are expected to push prices lower in the third and fourth quarters. Fourth-quarter whole bird prices are expected to be \$0.96 to \$1.04 per pound, down slightly from \$1.03 per pound the previous year. The estimate for 2016 was unchanged at \$0.99 to \$1.07 per pound, a small increase from 2015.

April Broiler Trade Up Slightly

With gains to some countries, total U.S. broiler exports were able to remain about the same as the previous year despite the imposition of trade bans by a large number of countries. Some of the bans have been partial ones that restricted imports of poultry products from States within the United States where there have been AI outbreaks. Other countries have enacted total bans on poultry products from anywhere in the United States. The two largest countries enacting total bans were China and South Korea. In April, broiler exports totaled 573 million pounds, down from 603 million pounds the previous month, but fractionally higher than the previous year. Exports were able to remain steady as higher shipments to a number of countries (Canada, Taiwan, Cuba, and Hong Kong) offset reduced shipments to China, South Korea, and Angola. There were also no exports to Russia, but this was due to a trade ban that went into effect last summer and was not related to any AI outbreaks in the U.S.

The impacts of the various trade bans are expected to reduce broiler exports substantially in the second half of 2015. The total for 2015 is 6.8 billion pounds, a reduction of 50 million pounds from the previous forecast. The total for 2016 is 7.2 billion pounds, unchanged from the previous forecast, as normal trading patterns are expected to resume.

Turkey Production Reduced

Much of the AI outbreak in Minnesota has involved turkey production facilities. As of June 9th, APHIS reported that over 7.7 million turkeys have been affected as a result of HPAI. Minnesota is the largest U.S. turkey - producing State, and with the strong impact, forecasts for U.S. turkey production were revised downward for the remainder of 2015 and in 2016. The second-quarter 2015 production forecast was lowered by 75 million pounds and is now 1.38 billion pounds down, 4 percent from the previous year. The forecasts for the third and fourth quarters were each lowered 150 million pounds, down 7 and 6 percent, respectively. The combined reductions lower the 2015 forecast to 5.6 billion pounds, a reduction of 3 percent from 2014. The relatively small decrease is chiefly due to first-quarter 2015 production being 7 percent higher than the previous year.

Turkey meat production in April was 496 million pounds, 5 percent higher than the previous year. The increase resulted from a greater number of birds slaughtered despite a decline in the average live weight at slaughter. In April, 20.2 million birds were slaughtered, a 5-percent increase from April 2014. This was only slightly offset by a small decrease in average live weight at slaughter, which declined to 30.7 pounds in April, down fractionally from a year earlier.

The latest turkey hatchery data shows that 26.9 million eggs were placed in incubators as of the first of May, down 7.3 percent from the previous year. With many of the AI outbreaks occurring in May, it is likely that egg placement totals will be down significantly as of the first of June. In April, poults placed for growout were 22.2 million, down only 2 percent from a year earlier. Poult placements are expected to decline further in May. The biology of turkeys and the structure of the turkey hatchery industry are expected to result in a time lag in rebuilding flocks to pre-AI levels.

Higher turkey production in April helped boost cold storage holdings of turkey. Overall turkey stocks at the end of April totaled 394 million pounds, up 5 percent from the previous year. The increase in cold storage holdings was the result of higher stocks of whole birds and some turkey parts. However, these gains were partly offset by declines in the “other” and “unclassified” categories. At the end of April, whole bird stocks totaled 216 million, 12 percent higher than the previous year. Among whole birds, holdings for hens and toms were both higher. Cold storage holdings of turkey parts totaled 178 million pounds, 2 percent lower than a year earlier. Cold storage holdings of breast meat, legs, and mechanically deboned meat (MDM) products were all higher than the previous year. Stocks of leg meat increased the most, up 81 percent from the previous year.

With the forecast for reduced turkey meat production in second- quarter 2015 and moving forward, the forecasts for ending stocks throughout 2015 and 2016 were reduced. The ending stocks estimate for second-quarter 2015 was lowered to 500 million pounds, down 25 million pounds from the previous forecast, but still 8 percent higher than the previous year. The ending stocks estimate for third-quarter 2015 was reduced to 450 million pounds, and the estimate for the end of 2015 was lowered by 100 million pounds to 200 million pounds. The ending stocks forecast for 2016 was 250 million pounds, a reduction of 25 million pounds as production by the end of 2016 is expected to be moving toward recovery to pre-HPAI levels

Even with lower production and lower cold storage holdings of a number of turkey parts, prices for turkey products have been below those of the previous year for most of 2015. In April, with the latest prices available for turkey parts, almost all most turkey parts (except breasts and V-type wings) were well below the previous year. Prices for fresh drumsticks in April were \$0.66 cents per pound, down 34 percent from a year earlier. April prices for fresh MDM were down 29 percent, and B/S breast meat prices were 10 percent lower than a year earlier. The largest increase was for boneless/skinless (B/S) breast meat. At \$1.27 per pound, however the breast meat price was up only 8 percent from April 2014. The declines in production are likely to place upward pressure on prices for turkey parts, but this will be partially offset by declines in exports.

Prices for whole birds in May strengthened somewhat from their April level. Frozen hen prices averaged \$1.09 per pound, 3 percent higher than the previous year. Prices for whole frozen hens have increased seasonally so far in 2015. With lower production forecast for the remainder of 2015 and into 2016, prices for whole hens are expected to continue to increase. Prices for frozen whole hens in the second quarter are forecast to average \$1.07 and \$1.10 per pound and then rise to \$1.09 and \$1.15 per pound in the third quarter.

Turkey Exports Lowered

Turkey exports in April totaled 42.4 million pounds, down 27 percent from the previous year. The majority of the decrease was due to lower shipments to Mexico and China's ban on imports of U.S. poultry. However, exports also declined to a number of other countries as they imposed partial or full bans on poultry shipments from the United States. Turkey exports are expected to be constrained while importing countries maintain bans on trade due to HPAI.

With the large number of countries that have placed full or partial (regionalized) bans on poultry imports from the United States, the quarterly turkey export forecasts have been revised downward. The forecast for the second quarter was reduced by 15 million pounds, and the third and fourth-quarters of 2015 were lowered by 20 million pounds each. The revised annual total for 2015 is now 669 million pounds, 17 percent lower than the previous year. Exports were lowered into 2016, with the revised total at 750 million pounds, down 40 million from the previous forecast.

Plains Pasture Conditions Improved Significantly

Recent precipitation in the Plains States has greatly improved pasture conditions and could solidify grazing plans over the next several months. Improved pasture conditions will provide forages for the low cow inventory. As a result, fewer cows are likely to be slaughtered until fall. Improved pasture conditions will also provide a longer grazing season, allowing feeder cattle to gain weight prior to placement in feedlots. The longer pasture time will leave fewer cattle for placement in feedlots until the fall end of the grazing season. Despite issues with planting, recent precipitation will likely have a positive effect on corn and soybean yields, which could keep feed prices low through the latter part of 2015 and most of 2016.

Recent storms and flooding have impacted both Texas and Oklahoma. The ground in many regions is reported to be completely saturated; with lakes and reservoirs having reached their capacities. The weekly summary of the National Agricultural Statistics Service's State Crop Progress and Condition report for May 25-31, (http://www.nass.usda.gov/Publications/State_Crop_Progress_and_Condition/) reported that Texas received upwards of 10 inches of rain and Oklahoma chalked up the wettest May since 1921. The June 2, 2015, U.S. Drought Monitor showed drought intensity in Texas and Oklahoma reduced to D0 ("Abnormally Dry") compared with earlier weeks showing the same regions with D3 ("Extreme Drought" levels) (<http://droughtmonitor.unl.edu/>). As a result of the recent storms, the Southern Plains pasture conditions are improving and plantings have been interrupted or delayed, while hay that has been cut but not yet baled is likely to be of poor quality. California and parts of the West remain in one of their worst droughts.

Reduced Slaughter Exacerbated by Cow and Heifer Retention

Cattle producers are culling fewer cows due to the improved pasture prospects for this spring and the early part of the summer. This likely means fewer cows will be going to slaughter until the fall culling season. The paucity of cows for slaughter this spring, summer, and early fall will likely have implications for supplies of processing beef and ground beef production through summer 2015. First-half 2015 cow slaughter could be down 6 percent over first-half 2014, following a steeper 13-percent decline for 2014 over 2013. Reduced cow slaughter will likely support demand for imported processing beef. Heifers will also be more likely to be retained for breeding due to improvements in pasture conditions, which will leave feeder cattle in even shorter supply for placement on feed later.

Another consequence of the improved pasture situation is that feeder cattle will likely not come off pasture until late summer/early fall, many of them

likely not until November when forage supplies diminish. This could reduce supplies of feeder cattle for placement on feed from now until fall, which could provide some support for feeder cattle prices.

The April 2015 placements of cattle on feed in 1,000-head-plus feedlots was lower than many industry analysts expected. Instead of sending cattle to feedlots, many producers are letting their animals graze on pasture longer. Placements of cattle weighing 800+ lbs totaled 640,000 head, continuing as the largest net placement category. Cattle feeders may find limited supplies of feeder cattle for placement in feedlots until grass cattle are sold off pastures in late summer/early fall. Marketings of fed cattle from 1,000-head-plus feedlots during April 2015, down 8 percent from April 2014, were the lowest April marketings since the series began in 1996. With feeder cattle prices at relatively high levels reflecting the relative scarcity of placement-weight feeder cattle, cattle feeders continue to experience negative margins as they find themselves sandwiched between high feeder cattle prices and fed cattle prices that have declined sharply.

Wholesale Prices Moderate

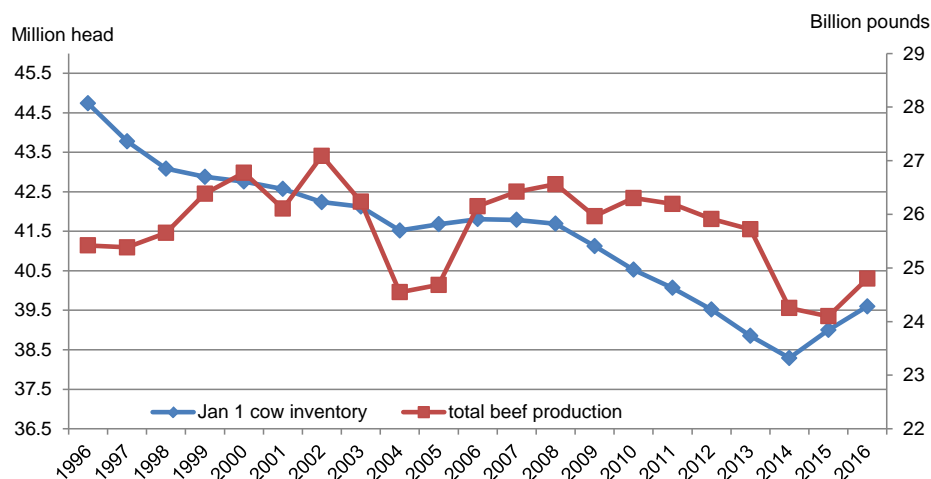
Historically small cattle inventory numbers continue to support high beef prices in 2015, but at least in the short term, increasing import volumes of processing beef and heavy carcass weights have moderated wholesale boxed-beef prices. After topping \$260/cwt in May, the weekly choice cutout value has declined and is now trading around \$250/cwt (as of the week ending June 5th). The current declining price trend could motivate cattle feeders to return to their behavior of withholding cattle from the market as they continue feeding cattle to heavier weights “until prices move higher;” a strategy that has sometimes worked in the past.

Fed cattle live and dressed weights remain significantly heavier than in the previous year, due in part to improvements in forage and pasture conditions, timely rains across Texas and Oklahoma, and the extra time on feed due to reduced steer and heifer slaughter this year. Incentives exist for cattle feeders to hold out for higher prices by continuing to feed cattle to heavy weights.

One uncertainty is the extent to which feeding cattle to heavier weights will offset the decrease in slaughter numbers in 2015 and the ultimate effect this will have on total commercial beef production; reduced slaughter led USDA to revise 2015 commercial beef production to 24 billion pounds. In 2016, U.S. beef production is expected to increase moderately due to cattle inventory numbers that began increasing in 2015 and the effects of heavier average carcass weights.

However, it is important to note that while seasonal increases in cattle slaughter and beef supplies may result in downward pressure on wholesale prices, this is not necessarily the case for seasonal patterns in retail prices. While retail prices tend to decline seasonally into summer, they often do so at a much slower rate than wholesale prices. USDA\ERS reported April retail beef prices at an all-time record of \$6.40 per pound. USDA anticipates retail beef prices will remain relatively high through 2015 and 2016 as it will take time for cattle inventories and beef production to grow enough to cause noticeable declines in retail prices. At the same time, retail pork and poultry prices are expected to remain competitive.

January 1 U.S. Cow Inventory and Total Beef Production, 1996-2016



Source: NASS data.

Global Demand for U.S. Beef Remains Sluggish

The combination of high U.S. beef prices, tight domestic availability, and a relatively strong U.S. dollar (although it has eased in recent weeks) continue to constrain U.S. beef export growth. April exports of U.S. beef were 199.6 million pounds, down 3.6 percent from last year. However, the April trade data did show some signs of improved demand for U.S. beef in international markets such as Japan, South Korea, and Taiwan. The data also showed increased beef shipments to smaller global markets (volume-wise) such as the Netherlands, Philippines, Dominican Republic, and Italy. Shipments to other top trading partners such as Mexico, Canada, and Hong Kong experienced declines relative to the previous year. With less beef available for export this year due to constrained domestic availability, annual beef exports for 2015 are projected to decline to 2.46 billion pounds, down approximately 4 percent from 2014 exports. Total exports of U.S. beef are expected to rise slightly in 2016 to 2.51 billion pounds.

Beef Imports Bolstered by Brisk Australian Liquidation

Imports of beef into the United States are expected to remain strong much of 2015. The flow of beef from major suppliers remained brisk through the first 4 months of 2015. Persistent drought in major production regions in Australia and the wide price spread between Australian and U.S. 90-percent lean beef have led to consistently high monthly shipments of processing beef into the United States. January-through-April imports from Australia have totaled 412.3 million pounds. Beef imports from Canada, Mexico, and Brazil were also reported higher year-over-year. Imports of beef into the United States for 2015 are expected to reach 3.3 billion pounds. For 2016, USDA is forecasting annual beef imports at 2.92 billion pounds, down 11.9 percent relative to 2015 as U.S. domestic beef supply increases and supplies of Australian beef tighten.

Pork Production Continues Strong Recovery from PEDv

USDA increased the forecast for second-quarter commercial pork production by 60 million lbs, to account for higher than expected hog slaughter in May and continued larger kills in June than initially expected. Average dressed weights for the quarter were adjusted downward as the industry reestablishes a more normal seasonal pattern, compared with a year ago when PEDv resulted in excess finishing space and tight pork supplies encouraged producers to feed hogs to heavier weights. Second-quarter commercial pork production is expected to be 5.9 billion pounds, almost 7 percent above the same period last year. The second-quarter average price of live equivalent 51-52 percent lean hogs was increased to \$54-\$55 per cwt., more than 36 percent below a year earlier but still high enough to yield a positive feeding spread to most hog producers.

The retail pork composite price dropped sharply in April to \$3.77 per lb, almost 5 percent lower than a year ago and almost \$0.11 per lb below the March 2015 price. Lower retail prices may reflect larger than anticipated supplies of pork—April ending cold stock levels were more than 20 percent higher than a year earlier—that were passed along to the retail consumer. For the balance of the quarter, the retail composite pork price is expected to average in the low \$3.80s per lb and in the high \$3.70s per lb for 2015.

USDA will release the Quarterly Hogs and Pigs report on June 26, 2015. The report will show survey results of June 1 hog and pig inventories, pig crops, and producers' farrowing intentions. The report is available at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1086>

Exports Surge in April

U.S. pork exports were year-over-year higher in April for the first time since June 2014. At more than 483 million lbs, exports were almost 11 percent greater than exports a year earlier. The summary table below indicates that strong exports to Japan, Mexico, and South Korea accounted for much of the year-over-year increase.

What was notable about April export volumes to these three countries was that in each case, the U.S. dollar exchange rate had shown a significant appreciation compared with April 2014. In terms of Japanese yen, the U.S. dollar was 16.6 percent more expensive than in April 2014. The U.S. dollar was 4 percent higher in terms of South Korean won than a year earlier, and for Mexican buyers of U.S. pork, U.S. dollars were 16.3 percent more expensive to buy with pesos.

The surge in U.S. pork exports in April, coming at a time when the U.S. dollar exchange rate for most foreign buyers was higher than a year earlier, is at least partially attributable to low U.S. spring pork prices. Federally inspected pork production in April was 8.2 percent higher than in April 2014—when porcine epidemic diarrhea was active in U.S. hog herds—and 6.5 percent above production in April 2013. U.S. pork prices in April 2015 reflected heavy supplies as industry production rates quickly recovered from PED. Average wholesale pork carcass cutout prices in April 2015 were 45 percent below last year and 19 percent below

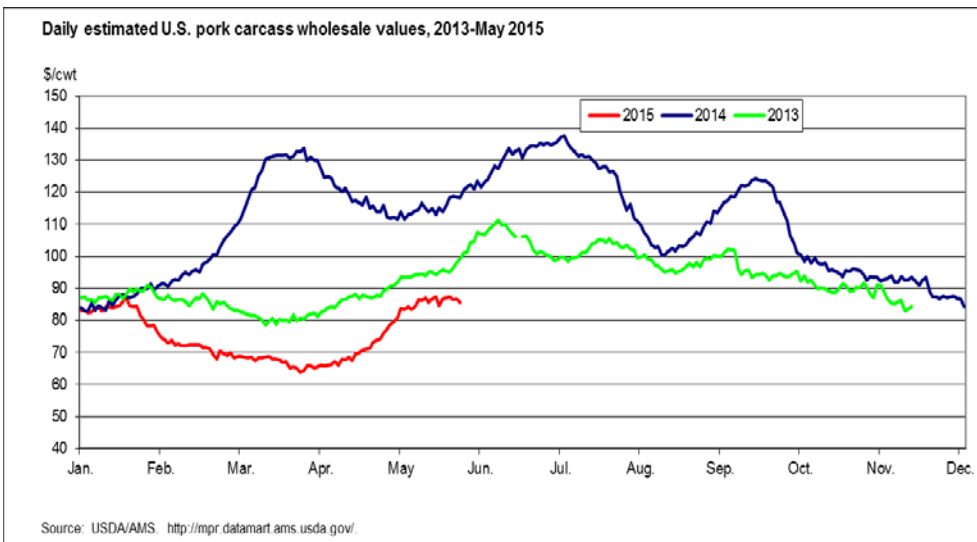
prices in 2013. It is likely that low U.S. pork prices in April offset some of the appreciated cost of U.S. dollars to foreign buyers, restoring a degree of export competitiveness that is lost when the dollar appreciates.

USDA adjusted its second-quarter pork export forecast to reflect strong April shipments. Second-quarter exports are expected to be 1.250 billion pounds, 2.4 percent higher than a year earlier. For 2015, total pork exports are expected to be 4.915 billion lbs, about 1 percent above exports last year.

U.S. pork exports to the 10 largest foreign destinations, April 2015 and 2014

	Country	2015 (Million lbs)	2014 (Million lbs)	Percent change %
	World	483	436	10.9
1	Japan	143	123	16.2
2	Mexico	123	107	15.2
3	S. Korea	68	47	43.2
4	Canada	40	46	-13.9
5	China\Hong Kong	38	36	6.2
6	Australia	21	16	32.3
7	Colombia	10	12	-17.5
8	Dominican Rep.	7	5	48.0
9	Philippines	6	11	-49.9
10	Honduras	5	5	3.0

Source: USDA\ERS. <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

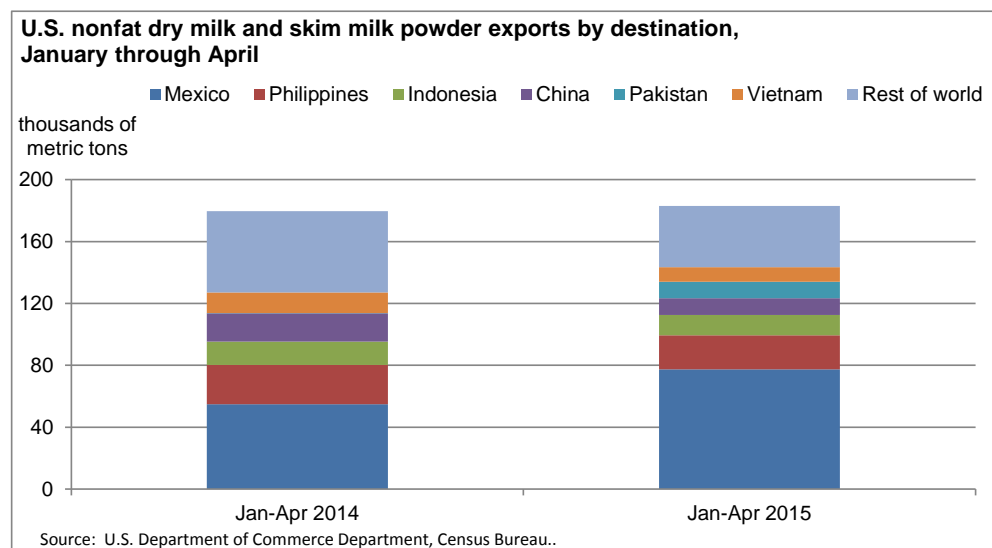


Recent Developments in Dairy Markets

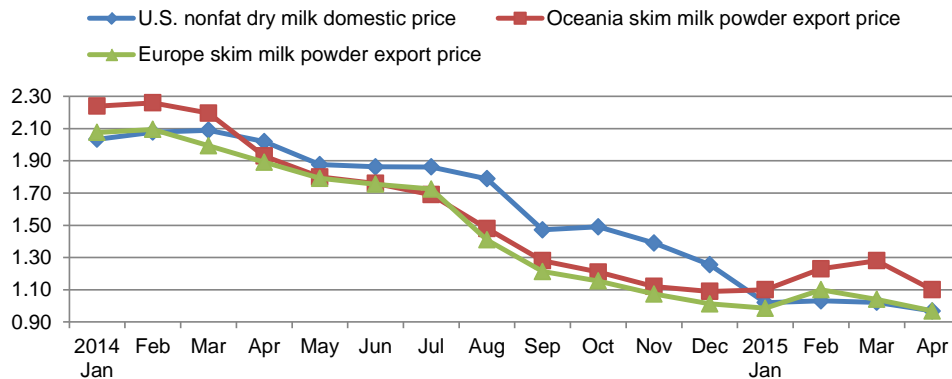
In April, commercial exports of dairy products on a milk-equivalent skim-solids basis were 3.806 billion pounds, 0.238 billion pounds above April 2014 and 0.122 billion pounds above March 2015. This was the first year-over-year increase in skim-solids basis exports since June 2014. The most substantial increases in exports from March to April were of nonfat dry milk (NDM) and skim milk powder (SMP). Exports of whey products and lactose also increased significantly. In contrast to exports on a skim-solids basis, April exports on a milk-equivalent, milk-fat basis were 0.905 billion pounds, 0.359 billion pounds below April 2014 and 0.017 billion pounds below March 2015.

Exports of NDM/SMP account for a larger share of U.S. exports than any other dairy product. While U.S. exports of NDM/SMP to some trading partners have decreased from 2014 to 2015, NDM/SMP exports to other trading partners have more than made up for the declines. U.S. exports of NDM/SMP to China, Vietnam, the Philippines, and Indonesia from January through April 2015 were lower than January through April 2014 exports, but NDM/SMP exports to Mexico and Pakistan were substantially higher.

The changing relationship between U.S. domestic NDM prices and SMP export prices of major trading partners has likely contributed to the increase in U.S. SMP exports. From April through December 2014, the U.S. domestic price exceeded export prices of both Oceania and Europe. In 2015, the U.S. domestic price has been below the Oceania export price and has essentially converged with the European export price.



U.S. nonfat dry milk domestic price and foreign skim milk powder export prices



Source: USDA Agricultural Marketing Service.

Price directions of major dairy commodities, as reported in the USDA National Dairy Products Sales Report, were mixed in May. From the week ending May 9 to the week ending June 6, the price of butter increased from \$1.819 to \$1.903 per pound. Cheddar cheese prices increased from \$1.614 to \$1.661 per pound for 40-pound blocks and from \$1.666 to \$1.672 per pound for 500-pound barrels (adjusted to 38-percent moisture). The prices of NDM decreased from \$0.942 to \$0.947 per pound. The price of dry whey was relatively steady, at 43.7 cents for the weeks ending May 9 and June 6, with small deviations in the intervening weeks.

U.S. milk production for April was up 1.7 percent from April 2014, larger than the 1.4 percent year-over-year increase in March. Milk production per cow averaged 1,911 pounds in April, 19 pounds above April 2014. Milk cow numbers were 9.305 million head, about 65 thousand head more than April 2014 and about a thousand head more than March 2015. While most States had year-over-year gains in milk production in April, drought contributed to 2.1 percent reduction in California milk production from April 2014.

Relatively Low Feed Prices Expected

Recent low feed prices are expected to continue. The alfalfa hay price increased from \$172 per ton in March to \$184 per ton in April. Corn and soybean meal price forecasts for the 2015/16 marketing year are unchanged from last month's forecasts at \$3.20-3.80 per bushel and \$305-345 per short ton, respectively.

Dairy Forecasts for 2015

Given robust skim-solids-basis exports in April and higher expectations for export demand, the 2015 forecast for commercial exports on a skim-solids basis has been raised to 38.7 billion pounds, 0.9 billion pounds higher than forecast last month. This is still less than the record of 39.2 billion pounds for skim-solids-basis exports in 2014. Exports on a milk-fat basis are raised to 10.9 billion pounds, 0.1 pounds more than forecast last month but 1.6 billion pounds less than 2014. The Russian trade ban has caused the European Union (EU) to find other dairy export outlets, some in competition with the United States. With the ban scheduled to end in

August,¹ U.S. exports in the second half of the year are expected to exceed those of the first half.

Based on April data, the 2015 forecast for milk production has been raised by 0.1 billion pounds from last month's projection, as the forecast for yield per cow has been increased by 10 pounds for the year. The 2015 forecast for imports on a milk-fat basis has been raised from last month's forecast by 0.2 billion pounds but is unchanged on a skim-solids basis. The forecast for domestic commercial disappearance has been raised by 0.3 billion pounds on a milk-fat basis, reflecting greater expected cheese demand. On a skim-solids basis, domestic commercial disappearance has been lowered by 0.5 billion, as exports are expected to make up a greater proportion of total demand. Forecast ending stocks for 2015 are unchanged on a milk-fat basis but lowered by 0.3 billion pounds on a skim-solids basis, as larger exports are expected to result in lower NDM stocks.

Based on recent price data and strong expected cheese demand, the 2015 forecast for the cheese price has been raised to \$1.635-\$1.675 per pound. With recent price changes and abundant supplies, price forecasts for butter, NDM, and dry whey have been lowered, respectively, to \$1.800-\$1.870, \$1.005-\$1.045, and 46.5-48.5 cents per pound. With the higher cheese price more than offsetting the lower whey price, the Class III milk price forecast has been raised to \$16.15-\$16.55 per hundredweight (cwt). With lower forecasts for butter and nonfat dry milk, the Class IV price forecast has been lowered to \$14.20-\$14.70 per cwt. Changes in class prices are largely offsetting, resulting in an all-milk price forecast that is unchanged at the midpoint from last month's forecast at \$17.15-\$17.55 per cwt.

Dairy Forecasts for 2016

The yield per cow forecast for 2016 has been raised from last month's forecast by 30 pounds, raising the milk production forecast by 0.3 billion pounds to 213.9 billion pounds.

Higher expectations for skim-solids export demand extend into 2016. Commercial exports on a skim-solids basis are forecast at 39.5 billion pounds. This is an increase of 0.4 billion pounds compared with last month's forecast, a year-over-year increase of 0.8 billion pounds and 0.3 billion pounds higher than the previous record of 2014.

The forecast for imports has been increased by 0.1 billion pounds on a milk-fat basis but is unchanged on a skim-solids basis. The forecast for domestic commercial disappearance has been increased by 0.3 billion pounds on a milk-fat basis but decreased by 0.5 billion pounds on a skim-solids basis. On a milk-fat basis, the forecast for commercial exports remains the same as last month at 11.5 billion pounds. Forecasts for ending stocks are unchanged from last month's forecast on a skim-solids basis but are raised by 0.1 billion pounds on a milk-fat basis.

The 2016 forecast for NDM has been lowered to \$1.195-\$1.265 per pound as U.S. exporters maintain relatively low prices to meet competition. The dry whey price

¹ On August 6, 2014, Russian President Vladimir Putin signed an executive order banning imports of beef, pork, poultry, fruits, vegetables, fish, seafood, cheese, milk, and a variety of other products from the United States, European Union, Canada, Australia, and Norway.

forecast has been lowered to 50.5-53.5 cents per pound. The cheese price forecast is unchanged from last month at \$1.610-\$1.710 per pound. The butter price forecast is \$1.720-\$1.850 per pound. With lower prices forecast for NDM and dry whey, Class III and IV prices have been lowered to \$16.15-\$17.15 and \$15.40-\$16.50 per cwt, respectively. The all-milk price forecast is unchanged at \$17.45-\$18.45 per cwt.

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

Related Websites

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

	2011					2012					2013					2014					2015					2016	
	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	Annual
Production, million lb																											
Beef	6,410	6,559	6,736	6,490	26,195	6,282	6,473	6,586	6,572	25,913	6,175	6,513	6,609	6,423	25,720	5,868	6,184	6,179	6,021	24,252	5,664	5,995	6,220	6,130	24,009	5,825	24,735
Pork	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,244	23,253	5,775	5,516	5,622	6,274	23,187	5,784	5,504	5,424	6,131	22,843	6,161	5,885	5,905	6,505	24,456	6,115	24,700
Lamb and mutton	36	40	36	37	149	39	39	39	40	156	38	41	40	38	156	37	43	38	38	156	38	36	36	39	149	38	151
Broilers	9,290	9,509	9,542	8,861	37,202	9,089	9,381	9,372	9,198	37,039	9,144	9,466	9,683	9,537	37,830	9,283	9,618	9,835	9,814	38,550	9,717	10,075	10,300	10,225	40,317	10,025	41,175
Turkeys	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,459	1,486	1,440	1,420	5,806	1,332	1,428	1,478	1,517	5,756	1,429	1,375	1,375	1,425	5,604	1,350	6,010
Total red meat & poultry	23,011	23,114	23,395	23,226	92,746	22,865	23,084	23,274	23,739	92,963	22,743	23,183	23,563	23,844	93,333	22,456	22,934	23,111	23,671	92,171	23,156	23,519	23,990	24,472	95,137	23,496	97,393
Table eggs, mil. doz.	1,631	1,641	1,665	1,715	6,652	1,684	1,680	1,707	1,778	6,849	1,733	1,746	1,775	1,825	7,079	1,771	1,799	1,827	1,868	7,265	1,789	1,715	1,650	1,725	6,879	1,700	7,015
Per capita disappearance, retail lb 1/																											
Beef	14.1	14.5	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	13.7	14.5	14.3	13.9	56.3	13.1	14.0	13.7	13.4	54.2	13.1	13.8	14.0	13.5	54.4	13.2	54.6
Pork	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.5	11.3	11.4	12.7	46.8	11.3	11.0	11.1	13.0	46.4	12.3	12.0	12.2	13.3	49.9	12.0	49.5
Lamb and mutton	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.3	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.3	0.9	0.3	0.2	0.2	0.2	0.90	0.2	0.9
Broilers	21.5	21.4	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.1	20.3	21.0	20.5	81.9	20.2	20.8	21.2	21.1	83.4	21.4	22.1	22.6	22.5	88.7	22.1	89.6
Turkeys	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.8	16.0	3.4	3.5	3.9	5.0	15.8	3.5	3.3	3.9	4.7	15.4	3.3	16.2
Total red meat & poultry	51.2	51.3	51.0	51.0	204.6	49.3	50.3	50.7	52.0	202.3	49.5	50.3	51.3	52.4	203.6	48.7	49.9	50.5	53.2	202.3	50.9	51.9	53.4	54.6	210.8	51.3	212.3
Eggs, number	61.3	61.5	62.8	64.3	250.0	63.3	62.3	63.3	65.6	254.5	64.4	63.5	64.8	66.1	258.7	64.7	65.4	66.3	66.8	263.3	64.4	62.1	59.7	62.6	248.9	61.2	251.7
Market prices																											
Choice steers, 5-area Direct, S/cwt	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125.52	124.95	122.30	130.77	125.89	146.34	147.82	158.49	165.60	154.56	162.43	159-162	157-165	156-170	159-165	154-166	155-168
Feeder steers, Ok City, S/cwt	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	141.36	133.10	152.08	161.69	147.06	167.49	188.64	220.90	234.25	202.82	210.31	214-217	216-224	223-237	216-222	219-231	222-235
Cutter Cows, National L.E., S/cwt	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	77.87	77.46	78.36	76.55	77.56	89.12	98.57	111.27	109.21	102.04	107.61	109-112	106-114	101-115	106-112	102-114	104-117
Choice slaughter lambs, San Angelo, S/cwt	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	107.53	91.72	94.26	150.97	111.12	166.69	148.99	156.02	162.69	158.60	147.17	139-142	141-149	133-147	140-146	134-146	139-152
Barrows & gilts, N. base, l.e. S/cwt	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	59.03	65.46	70.59	61.11	64.05	68.69	85.40	83.30	66.74	76.03	48.47	54-55	51-53	43-47	49-51	45-49	44-48
Broilers, 12 City, cents/lb	80.20	83.00	78.20	78.00	79.90	87.40	85.10	82.00	92.10	86.60	103.50	108.60	93.90	92.80	99.70	98.40	113.70	104.60	102.80	104.90	97.00	103-106	99-105	96-104	99-103	97-105	99-107
Turkeys, Eastern, cents/lb	90.20	99.90	106.40	111.60	102.00	100.70	106.90	108.50	106.10	105.60	96.00	97.70	99.90	105.40	99.80	100.70	105.60	110.20	113.90	107.60	99.60	107-110	109-115	115-125	108-112	102-110	106-114
Eggs, New York, cents/doz.	105.80	106.60	117.70	131.20	115.30	108.70	99.70	131.90	129.40	117.40	126.90	109.90	119.00	143.00	124.70	142.70	134.60	129.30	162.70	142.30	146.90	164-167	156-164	173-187	160-166	149-161	136-147
U.S. trade, million lb																											
Beef & veal exports	633	702	766	683	2,785	558	624	650	620	2,452	557	637	716	680	2,590	583	667	679	643	2,573	526	655	655	625	2,461	535	2,510
Beef & veal imports	461	593	548	454	2,057	582	669	516	453	2,220	590	629	515	516	2,250	596	768	764	818	2,947	876	950	825	665	3,316	750	2,920
Lamb and mutton imports	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	49	45	55	195	53	47	46	47	193	50	190
Pork exports	1,248	1,208	1,260	1,481	5,196	1,442	1,301	1,251	1,386	5,380	1,219	1,226	1,206	1,342	4,992	1,345	1,281	1,090	1,142	4,858	1,165	1,250	1,175	1,325	4,915	1,250	5,125
Pork imports	201	195	194	213	803	207	191	198	205	802	208	210	229	233	880	212	240	256	299	1,007	278	280	295	305	1,158	250	1,020
Broiler exports	1,526	1,598	1,976	1,877	6,978	1,734	1,791	1,864	1,886	7,274	1,752	1,865	1,855	1,874	7,345	1,831	1,829	1,860	1,785	7,304	1,629	1,675	1,725	1,725	6,754	1,690	7,215
Turkey exports	159	171	173	199	703	180	184	216	217	797	179	182	197	201	759	163	188	222	231	804	154	155	175	185	669	160	750
Live swine imports (thousand head)	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,300	1,255	1,075	4,957	1,196	1,216	1,265	1,272	4,949	1,312	1,280	1,260	1,260	5,112	1,250	5,000

Note: Forecasts are in bold.

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

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

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Updated 6/16/2015

Dairy Forecasts

	2014				2015					2016	
	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,253	9,270	9,287	9,256	9,305	9,305	9,310	9,315	9,310	9,325	9,335
Milk per cow (pounds)	5,717	5,520	5,487	22,260	5,581	5,760	5,535	5,545	22,420	5,720	22,910
Milk production (bil. pounds)	52.9	51.2	51.0	206.0	51.9	53.6	51.5	51.7	208.7	53.3	213.9
Farm use	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	1.0
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.4	51.3	51.4	207.8	53.1	212.9
Milk fat (bil. pounds milk equiv.)											
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.4	51.3	51.4	207.8	53.1	212.9
Beginning commercial stocks	13.0	13.5	12.2	11.2	11.2	13.3	14.6	13.0	11.2	11.3	11.3
Imports	0.8	1.1	1.5	4.3	1.2	1.1	1.2	1.4	5.0	1.1	4.4
Total supply	66.5	65.6	64.5	220.6	64.2	67.8	67.1	65.8	224.0	65.5	228.6
Commercial exports	3.5	2.8	2.3	12.5	2.4	2.6	3.0	2.9	10.9	2.6	11.5
Ending commercial stocks	13.5	12.2	11.2	11.2	13.3	14.6	13.0	11.3	11.3	13.6	11.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	49.4	50.6	51.0	196.9	48.5	50.5	51.1	51.7	201.8	49.3	205.2
Skim solids (bil. pounds milk equiv.)											
Milk marketings	52.7	50.9	50.7	205.1	51.7	53.4	51.3	51.4	207.8	53.1	212.9
Beginning commercial stocks	12.7	13.3	12.3	11.7	13.1	13.7	15.2	12.5	13.1	12.2	12.2
Imports	1.2	1.5	1.5	5.6	1.4	1.3	1.3	1.7	5.7	1.4	5.6
Total supply	66.6	65.7	64.5	222.3	66.2	68.3	67.8	65.6	226.6	66.7	230.7
Commercial exports	11.0	9.3	9.1	39.2	8.8	9.8	10.1	9.9	38.7	9.8	39.5
Ending commercial stocks	13.3	12.3	13.1	13.1	13.7	15.2	12.5	12.2	12.2	12.7	12.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	42.4	44.1	42.3	170.1	43.7	43.3	45.2	43.5	175.7	44.2	178.3
Milk prices (dol./cwt) 1/											
All milk	24.23	24.40	22.77	23.97	17.00	16.40	17.50	17.80	17.15	17.25	17.45
						-16.60	-18.00	-18.60	-17.55	-18.25	-18.45
Class III	22.75	22.82	21.19	22.34	15.73	16.05	16.60	16.35	16.15	15.75	16.15
						-16.25	-17.10	-17.15	-16.55	-16.75	-17.15
Class IV	23.04	23.42	18.75	22.09	13.62	13.70	14.50	15.05	14.20	14.65	15.40
						-14.00	-15.10	-15.95	-14.70	-15.75	-16.50
Product prices (dol./pound) 2/											
Cheddar cheese	2.187	2.168	2.053	2.155	1.567	1.640	1.685	1.660	1.635	1.580	1.610
						-1.660	-1.735	-1.740	-1.675	-1.680	-1.710
Dry whey	0.677	0.683	0.625	0.654	0.529	0.440	0.445	0.455	0.465	0.495	0.505
						-0.460	-0.475	-0.485	-0.485	-0.525	-0.535
Butter	2.053	2.574	2.140	2.136	1.647	1.820	1.910	1.845	1.800	1.635	1.720
						-1.860	-1.990	-1.955	-1.870	-1.765	-1.850
Nonfat dry milk	1.920	1.707	1.379	1.768	1.024	0.945	0.990	1.090	1.005	1.145	1.195
						-0.965	-1.030	-1.150	-1.045	-1.215	-1.265

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

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly "National Dairy Products Sales Report".

Sources: USDA National Agricultural Statistics Service, USDA Agricultural Marketing Service, USDA Foreign Agricultural Service, and USDA World Agricultural Outlook Board.

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Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/lpdm-livestock,-dairy,-and-poultry-outlook.aspx>.

Updated 6/16/2015