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# Livestock, Dairy, and Poultry Outlook

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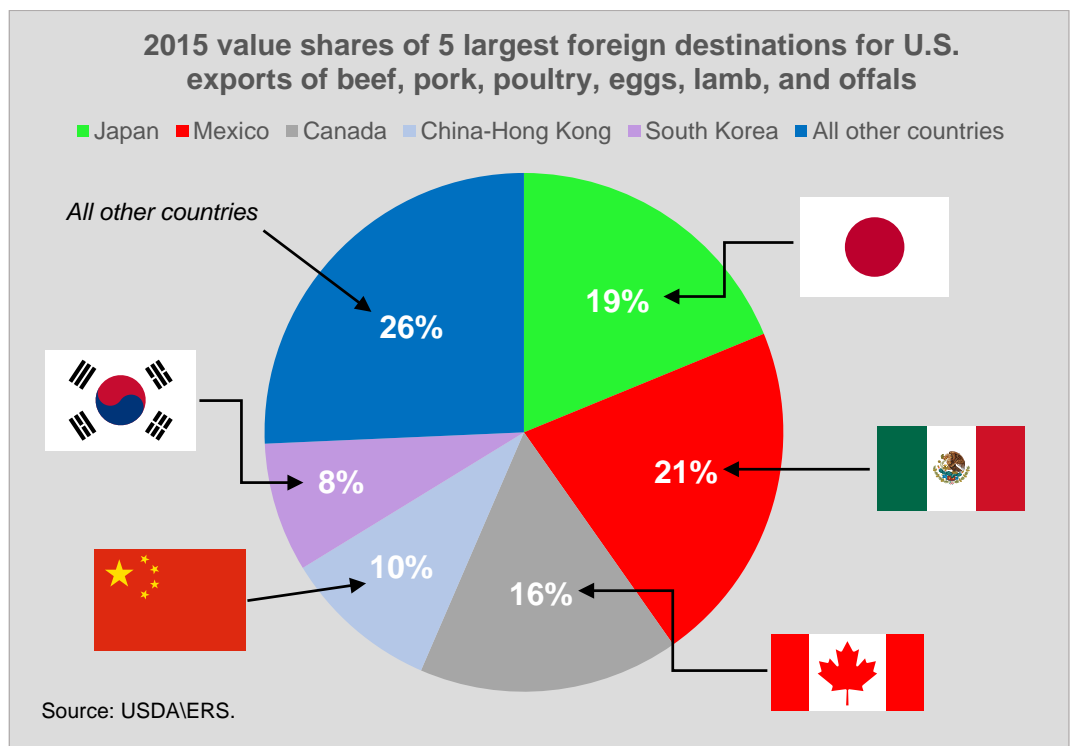
Tables will be released on April 26, 2016

The next Outlook Report release is May 16, 2016

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## 2016 Value Shares Remain Stable in January-February

In 2015, U.S. exports of beef, pork, lamb, poultry, eggs and offals were valued at more than \$16 billion. Five countries accounted for 74 percent of the value of these exports: Mexico (21 percent), Japan (19 percent), Canada (16 percent), China-Hong Kong (10 percent), and South Korea (8 percent). Remaining export values are attributable to all other foreign-destination countries (26 percent). So far in 2016, January-February export data are showing shares of export values roughly equivalent to those of 2015: Mexico (21 percent), Japan (19 percent), Canada (15 percent), China-Hong Kong (12 percent), South Korea (9 percent), and all other foreign-destination countries at 25 percent.



**Cattle/Beef:** Cattle carcass weights are heavier, reflecting good weather and low feed prices. However, cattle and beef prices have yet to see any spring bounce.

**Cattle/Beef Trade:** Total 2016 U.S. beef exports are forecast at 2.45 billion pounds, 8 percent higher than 2015. The volume of decline in beef imports from Australia continues to overshadow the gains in beef imports from other countries. Total beef imports for 2016 are forecast at 2.9 billion pounds, 14 percent lower than the previous year.

**Dairy:** Several factors indicate that dairy prices may fall, including recent high stock levels for butter and cheese, higher forecasts for milk production, and higher imports of products with high milk-fat content. However, strong domestic demand is expected to mitigate downward price pressure. With offsetting effects, the all-milk price forecast for 2016 is \$15.00-\$15.50 per hundredweight (cwt), unchanged at the midpoint from last month's forecast.

**Pork/Hogs:** The March *Quarterly Hogs and Pigs* report indicated largely steady inventories, with lower spring and summer farrowing intentions and a higher year-over-year winter pig crop litter rate. February pork exports were 2.5 percent above a year ago, with export volumes to China notably large.

**Sheep/Lamb:** The first-quarter Choice slaughter lamb price was \$133.33/cwt, almost \$14/cwt lower than this time last year. Prices are expected to continue to remain below year-earlier levels for the rest of 2016, primarily due to the expected increase in the supply of lamb on the market.

**Poultry:** The forecasts for first-quarter broiler production and stocks were left unchanged. Broiler forecasts for the second through fourth quarter were unchanged for production, stocks, and prices. Turkey production in the first half of 2016 is forecast 3 percent higher than the same period in 2015. Lower stocks of whole birds have been reflected in a higher average price in first-quarter 2016 (\$1.15 per pound), an increase of 15 percent. Prices for whole birds are forecast to remain above their year-earlier levels through the second quarter, but then to become lower than the previous year. Over the first 2 months of 2016, table egg production has totaled 1.15 billion dozen, 3 percent lower than during the same period in 2015. Even with lower production, first-quarter egg prices in the New York market averaged \$1.22 per dozen, a drop of 17 percent from the same period in 2015.

**Poultry Trade:** The 2016 broiler meat export forecast was left unchanged for quarters 1 through 4, increasing as the outbreak of avian influenza recedes further into the past. These exports are still feeling negative pressure from a stronger dollar and lower global growth. (See the special article in this issue, "Factors Affecting the Decline in U.S. Broiler Exports.") Turkey exports declined sharply in February, down 20 percent from the previous year. The 2016 turkey export forecast for the second through fourth quarters were all reduced by 15 million pounds. Egg exports fell by 37 percent in February to 19.8 million dozen. The estimate for first-quarter 2016 was reduced to 65 million dozen, down 5 million from last month's forecast.

**Special Article, "Factors Affecting the Decline in U.S. Broiler Exports":** In 2015, the United States experienced its worst-ever outbreak of Highly Pathogenic Avian Influenza (HPAI), an event that exerted significant downward pressure on poultry exports. This report focuses on broilers because they account for the majority of poultry industry export value, totaling 76 percent of that value in 2014.

### *Feeder Cattle Supplies Ample*

Feeder cattle receipts at the Oklahoma National Stockyards on April 4, 2016, were higher than either week-earlier or year-earlier receipts and were followed with another big run on April 11, 2016. The majority of the feeder cattle sold weighed over 600 pounds, were likely coming off graze-out wheat, and could contribute to a potential April bulge in 800-pound-plus placements in 1,000-plus-head feedlots. This will create a potential for increased marketings of fed cattle from these feedlots and increased supplies of beef by early fall, which will likely exert downward pressure on fed-cattle and beef prices.

Feeder cattle placed on feed this month will likely be marketed in the late-third or early-fourth quarters at relatively high carcass weights—a result of low grain prices and only modest discounts for heavy carcasses. This will contribute to the increased beef supplies and downward pressure on prices in the latter part of 2016. Already, cumulative beef production is running more than 2 percent greater year over year than at this time in 2015, while cumulative cattle slaughter for the same period is just over half-a-percent higher year over year.

For the week ending April 4, 2016, 5-area, all-grade fed steers were \$133.83/cwt, roughly \$35 lower than year-earlier fed steer prices ([http://www.ams.usda.gov/mnreports/lm\\_ct150.txt](http://www.ams.usda.gov/mnreports/lm_ct150.txt)), but high enough to provide potential for positive cattle-feeding margins in April—cattle-feeders' first shot at the black since fed cattle were marketed in November 2014. First-quarter 2016 5-area direct total, all grades steer prices are projected to be \$134.81/cwt, down over \$28 compared with first-quarter 2015.

The beef complex remains under pressure as a whole, giving the impression that post-Easter strength in beef demand has been delayed. For the week ending April 8th, the choice and select beef cutout values declined for the third consecutive week. The most recent weekly choice beef cutout value was reported at \$216.21/cwt (down \$41.29/cwt year over year), while the weekly select beef cutout value currently stands at \$206.78/cwt (down \$44.46/cwt).

According to the USDA AMS Estimated Weekly Meat Production report for the week ending April 8th, year-to-date beef production for 2016 is approximately 2.4 percent higher than the previous year. Year-to-date cattle slaughter was reported only about 0.6 percent higher; thus a key factor supporting higher beef production is heavier cattle and dressed weights. Recently reported weekly-average cattle dressed weights (for the week ending April 2nd) were at 830 pounds, one pound heavier than the previous week but still 15 pounds heavier than last year. This suggests that the extra gain in weight continues to supply the wholesale market with ample supplies of beef. In the near term, it appears that both supply and demand fundamentals are bearish for the beef complex. Nonetheless, there is a seasonal tendency for beef prices to strengthen during the spring quarter as warmer weather supports grilling activities, and this should support cutout values in the weeks ahead.

## Cattle/Beef Trade

### *U.S. Beef Exports Show Signs of Growth in Early 2016, Imports Down Significantly*

Although the February 2016 beef export total (172.3 million pounds) was reported below the previous year's 177.9 million pounds, expectations of stronger global demand appears promising for U.S. beef producers. Readily available supplies of U.S. beef and declining wholesale prices should prove to be a favorable combination for foreign buyers in the months ahead, boosting global interest in U.S. beef products. The U.S. is also expected to gain market share in top markets as Australia continues to experience a downturn in cattle slaughter and export shipments. Second-quarter beef exports are forecast at 635 million pounds, nearly 5 percent higher year over year. Third- and fourth-quarter export forecasts are 660 and 635 million pounds, respectively—increases of 22 and 7 percent, year over year. Total U.S. beef exports are forecast at 2.45 billion pounds, 8 percent higher than 2015. Beef imports are expected to show further declines on lackluster demand for lean processing beef from Australia. U.S. beef imports through February were approximately 6 percent lower year over year. Through February, U.S. beef imports from Australia were approximately 16 percent lower year over year, while imports from New Zealand are about 9 percent higher. Through February, beef imports from both Canada and Mexico were higher. Nonetheless, the volume of decline in beef imports from Australia, coupled with declines from Nicaragua, continued to overshadow the gains in beef imports from other countries. Total beef imports for 2016 are forecast at 2.9 billion pounds, 14 percent lower than the previous year.

## Recent Developments in Dairy Markets

U.S. dairy imports continued relatively high in February, especially for products with high milk-fat content. Imports of cheese and butterfat products were higher than January 2016 and much higher than February 2015. Imports from New Zealand, the European Union (EU), and Canada made up substantial shares of dairy imports. On the export side, combined exports of nonfat dry milk (NDM) and skim milk powder remained strong compared to exports of other products, with exports to Mexico making up the largest share. Exports of whey products grew from January to February and exceeded February 2015. U.S. exports of butterfat products also increased significantly over the previous month and February 2015.

Price differences between U.S. domestic wholesale prices and foreign export prices have contributed to the increase in imports of products with high milk-fat content and the resilience of exports of products with high skim-solids content. The large price gap between the U.S. and foreign prices for butter has encouraged nonlicensed<sup>1</sup> butter imports at the high-tier tariff rate of \$0.699 per pound. Although U.S. prices for NDM and dry whey are competitive with prices of foreign competitors, U.S. export growth continues to be constrained by slow global demand growth.

U.S. domestic wholesale prices and foreign export prices for the first quarter of 2016 (\$ per pound)

Product	U.S. domestic wholesale price	Oceania export prices <sup>1</sup>		European export prices	
		Price	Difference from U.S.	Price	Difference from U.S.
Butter	2.067	1.328	0.739	1.279	0.788
Cheddar cheese	1.517	1.284	0.233	NA <sup>2</sup>	NA
NDM / SMP <sup>3</sup>	0.766	0.812	-0.046	0.791	-0.025
Dry whey	0.243	NA	NA	0.275	-0.032

<sup>1</sup> Midpoints of the ranges are shown for foreign export prices.

<sup>2</sup> NA = not available.

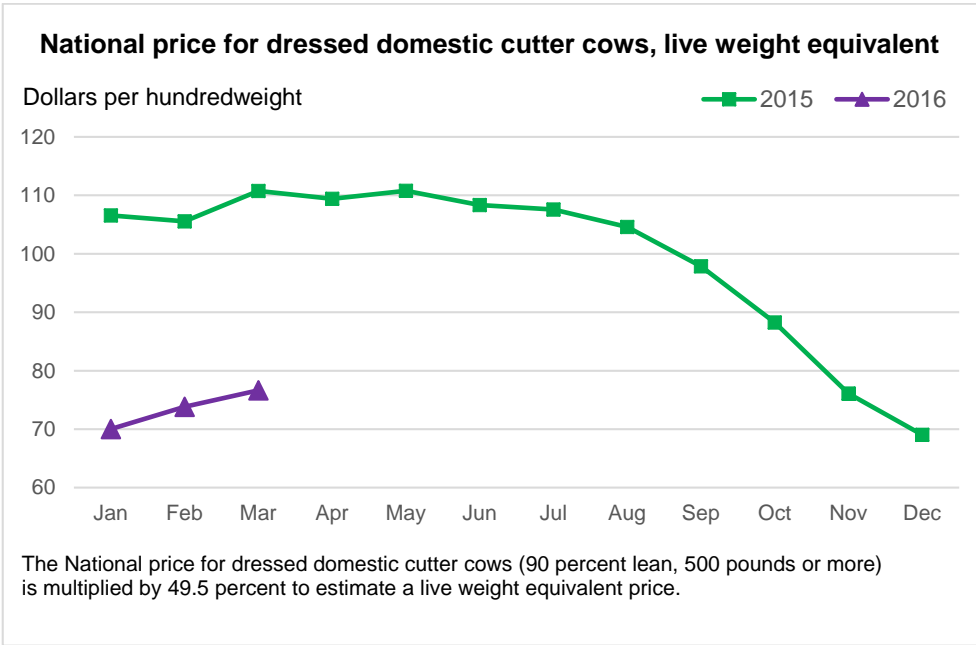
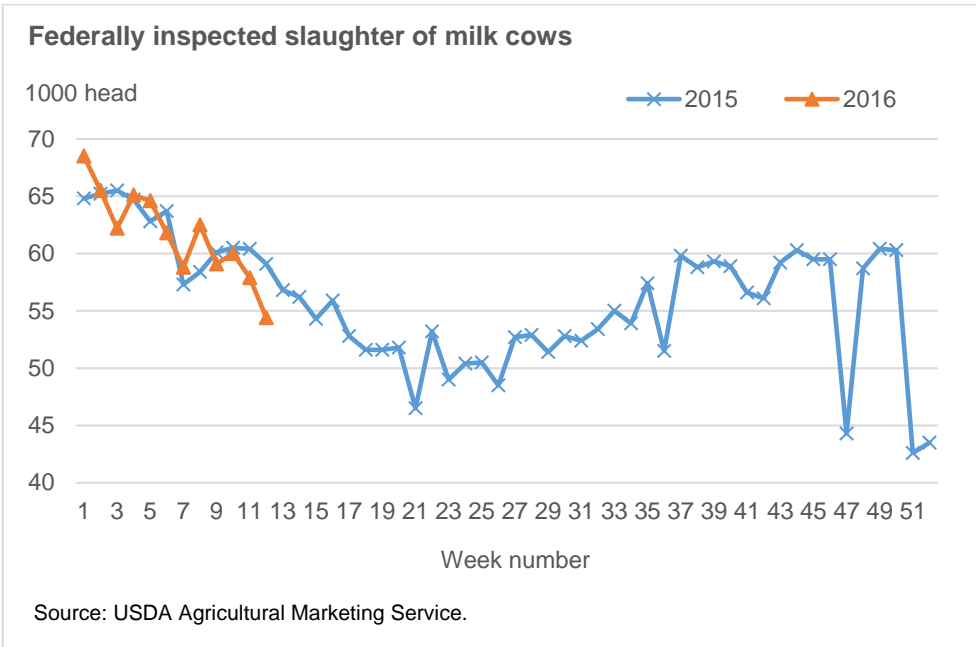
<sup>3</sup> The U.S. domestic price is for nonfat dry milk (NDM). Foreign export prices are for skim milk powder (SMP).

Source: USDA Agricultural Marketing Service.

U.S. milk production has continued to grow. Daily milk production in February was 1.0 percent higher than February 2015, and daily milk per cow in February was 0.9 percent higher. Milk cows were four-thousand head higher than the previous February. Prices for corn, soybean meal, and alfalfa hay have been relatively low in recent months, contributing to favorable conditions for increased milk production.

<sup>1</sup> Most dairy products are subject to tariff rate quotas (TRQs). Products within a TRQ are imported at a relatively low tariff rate, while products outside of the TRQ are imported at a much higher rate. Importers must acquire a license to import within most of the dairy TRQs. Although TRQs have not been filled for 2016, importers without TRQ licenses have been paying the high-tier rates.

For the weeks ending March 5 through March 26, federally inspected milk cow slaughter was below corresponding weeks in 2015. Relatively low cull-cow prices may have contributed to retention of some milk cows that would have otherwise been culled. Although specific price data are not available for dairy cull-cows, the National dressed domestic cutter-cow price (live weight equivalent) is a reasonable proxy. The cutter-cow price declined substantially through the second half of 2015 and continued to be relatively low in the first quarter of 2016.



Butter and cheese stocks remain well above previous-year levels, with February ending stocks higher than the previous year by 31.5 percent (butter) and 10.8

percent (cheese). NDM ending stocks for February were 10.0 percent lower than the previous year.

Price directions of major dairy commodities were mixed in March. From the week ending March 5 to the week ending April 2, prices reported in the *National Dairy Products Sales Report* (NDPSR) decreased for butter, NDM, and dry whey as follows: \$2.031 to \$1.954, \$0.761 to \$0.746, and \$0.253 to \$0.252 per pound, respectively. For the same weeks, the NDPSR price of 40-pound blocks of Cheddar cheese increased from \$1.505 to \$1.524 per pound, and 500-pound barrels (adjusted to 38-percent moisture) increased from \$1.496 to \$1.510 per pound.

### ***Dairy Forecasts for 2016***

Feed price forecasts continue to remain relatively low. The corn price forecast for 2015/16 is \$3.40-\$3.70 per bushel, a decrease from \$3.40-\$3.80 forecast last month. The 2015/16 soybean meal price forecast is \$275-\$295 per short ton, unchanged at the midpoint from last month's forecast. The national average price for alfalfa hay decreased from \$147 per short ton in January to \$142 in February.

Based on recent data for milk production, milk cow slaughter, and expectations of relatively low cull-cow prices, milk production forecasts have been raised to 211.8 billion pounds for 2016, an increase of 0.2 billion pounds from last month's forecast. The 2016 forecast for milk cows is 9.310 million head, 5 thousand more than forecast last month. Milk per cow has been raised to 22,755 pounds per head, 10 pounds more than forecast last month.

Based on recent trade data and the price gap between domestic and foreign export prices, the forecast for 2016 imports on a milk-fat milk-equivalent basis has been raised by 0.5 billion pounds. Imports on a skim-solids milk-equivalent basis have been lowered by 0.2 billion pounds due to lower expected imports of milk protein products. Commercial export forecasts have been raised on a milk-fat basis due to higher recent exports of products with high milk-fat content. Commercial forecasts on a skim-solids basis have been lowered by 0.1 billion pounds due to lower sales of some whey products.

With an improving economic outlook and lower expected prices for butter and NDM compared to last month's forecast, higher consumption is expected. Forecasts for domestic commercial use have been increased by 0.3 billion pounds on a milk-fat basis and 0.1 billion pounds a skim-solids basis. Year over year, 2016 domestic use is expected to exceed 2015 by 4.0 percent on a milk-fat basis and 2.9 percent on a skim-solids basis. The forecast for ending stocks has been raised by 0.3 billion pounds on a milk-fat basis and is unchanged on a skim-solids basis.

Several factors indicate that dairy prices may fall, including recent high stock levels for butter and cheese, higher forecasts for milk production, and higher imports of products with high milk-fat content. However, strong domestic demand is expected to mitigate downward price pressure. The 2016 price forecasts for butter and NDM have been lowered slightly to \$2.005-\$2.085 and \$0.760-\$0.800 per pound, respectively. The 2016 cheese price forecast has been raised for the first half of the year but lowered for the second half, resulting in an annual forecast

of \$1.510-\$1.560 per pound, unchanged at the midpoint from last month's forecast. The dry whey price forecast is unchanged at \$0.230-\$0.260 per pound.

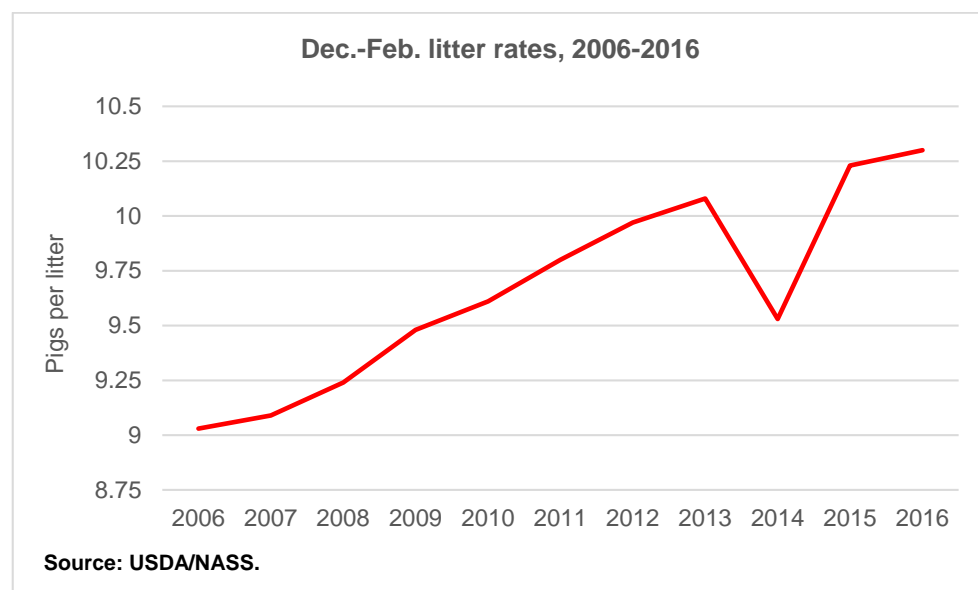
The 2016 Class III milk price forecast is \$13.65-\$14.15 per cwt, unchanged at the midpoint from last month's forecast. The Class IV milk price forecast is lowered to \$12.90-\$13.50 per cwt. The all-milk price forecast for 2016 is \$15.00-\$15.50 per cwt., unchanged at the midpoint from last month's forecast.



### *March 1 Hog Inventories Unchanged From a Year Ago*

The *Quarterly Hogs and Pigs* report released on March 25, 2016, showed largely static hog inventories, a fractionally lower winter pig crop, and lower spring and summer producer farrowing intentions. The litter rate for the winter pig crop was about 1 percent above a year ago. Specifically, the March 1 inventory of all hogs and pigs was largely unchanged from a year ago. Market hog numbers increased fractionally, whereas the inventory of breeding animals declined by 2,000 head compared with a year ago. Producers indicated intentions to farrow 1 percent fewer sows in March to May compared with a year earlier; June to August intentions were 3 percent lower than farrowings in the same period of 2015.

Farrowings and pig crops reported for the winter quarter (December 2015-February 2016) yielded a litter rate of 10.30 pigs per litter. Although 0.7 percent above a year ago, the December-February litter rate is somewhat below recent trend. There is ample anecdotal evidence to suggest that reoccurring disease problems—particularly Porcine Reproductive and Respiratory Syndrome (PRRS)—in western Corn Belt hog-producing States likely created a drag on winter sow herd productivity. As the industry moves into the dryer, warmer spring months, disease incidence is expected to abate and strong up-trends in litter rates are expected to resume.



Even with strong increases in litter rates, restrained farrowings are expected to hold the 2016 pig crop to a modest increase over last year. Small increases in dressed weights are expected to push 2016 commercial pork production to about 25 billion pounds, 2 percent above 2015. Average prices of live equivalent 51-52 percent lean hogs are expected to be \$46-\$48 cwt for 2016, 7 percent below last year. In the second quarter of 2016, pork production is expected to be about the same as a year earlier—5.9 billion pounds—with hog prices ranging from between \$48 to \$50 per cwt, almost 8 percent below the same quarter last year.

## February Pork Exports Respectable

U.S. exports in February were 387 million pounds, 2.5 percent larger than a year earlier. The 10 largest foreign destinations for pork exports in February are summarized in the table below. Exports to China were notable in February. Volumes exceeded 35 million pounds—a level not achieved since 2014—and likely reflect high pork prices in China. A continuing reduction in the sow inventory is forecast to drive China's pork production lower in 2016, despite increased productivity and heavier weights. While consumption is also forecast to decline, there is an increasing shortfall, which must be met by increased imports.

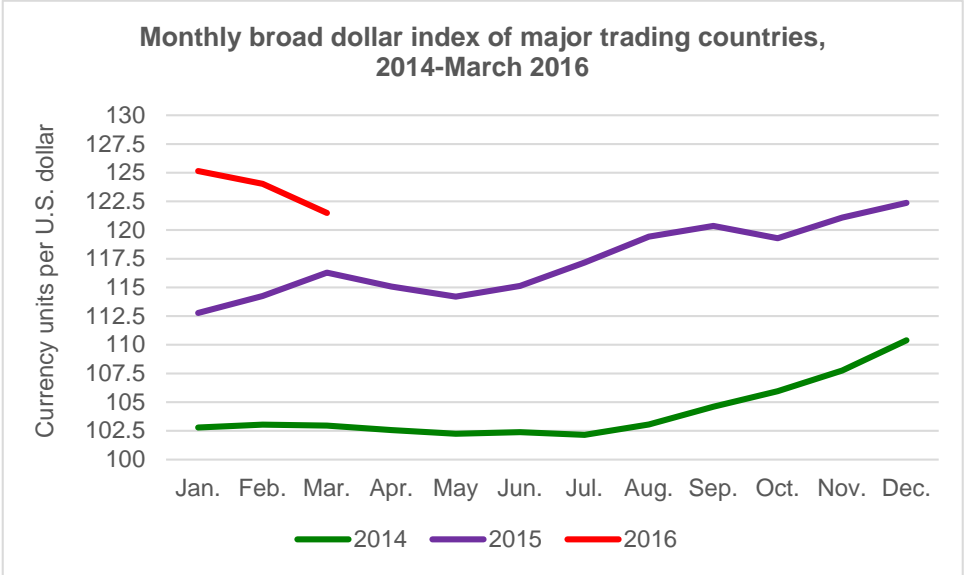
Information reported in the Global Trade Atlas indicates that China has imported more than 377 million pounds through February 2016, a volume 76 percent higher than in the same period last year. More than 75 percent of those Chinese imports are attributable to Europe, 9 percent to Canada, and 11 percent to the United States.

### Volumes and unit values of U.S. pork exports to the 10 largest foreign destinations, February 2015 and February 2016

	Country	Exports 2016	Exports 2015	Percent change	Unit value 2016	Unit value 2015
		(mil. Lbs)	(mil. Lbs)	(2016/2015)	\$/lb	\$/lb
	World	387	377	2.5	0.96	1.09
1	Mexico	118	124	-4.9	0.68	0.72
2	Japan	89	80	11.2	1.29	1.46
3	China, Hong Kong	46	14	239.3	0.65	0.81
4	Canada	36	36	0.5	1.71	1.82
5	S. Korea	35	67	-47.7	0.85	1.03
6	Australia	15	13	14.1	0.88	1.09
7	Colombia	8	10	-20.2	0.80	1.01
8	Honduras	7	5	43.0	0.53	0.71
9	Philippines	6	3	88.1	0.96	1.03
10	Dominican Republic	5	5	9.9	0.79	0.82

Source: ERS\USDA.

Exchange rate data reported by the Board of Governors of the Federal Reserve System indicate that the exchange rate value of the U.S. dollar relative to major trading countries has declined since February. The figure below depicting the Fed's broad dollar index suggests that while the value of the dollar remains elevated relative to recent years, its decline in value likely increased competitiveness of U.S. pork in foreign markets beginning in February.



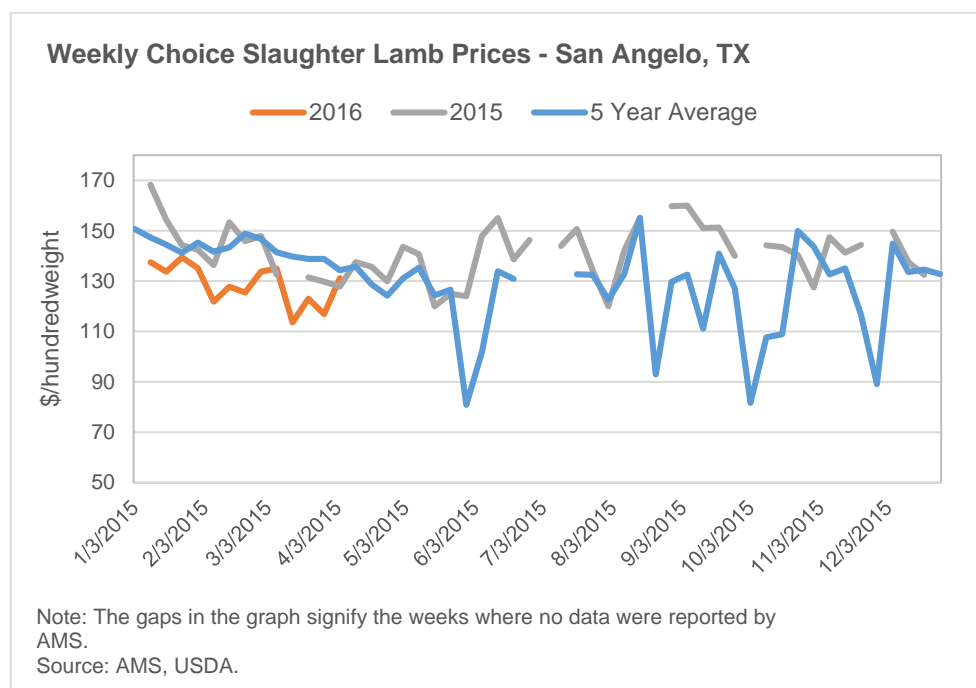
Pork exports for first-quarter 2016 are expected to be 1.225 billion pounds. The export forecast for the second half of 2016 was increased 25 million pounds to account for likely increases in import demand from Asia. For 2016, pork exports are expected to be 5.2 billion pounds, more than 5 percent above last year.

## Sheep / Lamb

### *U.S. Lamb Production and Prices*

For much of the first-quarter of 2016, Choice slaughter lamb prices at San Angelo, Texas were below 2015 levels and the 5-year average. Lower prices existed although roughly the same number of animals were marketed in the first 3 months of the year relative to the same period last year. However, prices have shown strength in early April and are now at last year's levels. The first-quarter Choice slaughter lamb price was \$133.33/cwt, almost \$14/cwt lower than this time last year. Second-quarter Choice slaughter lamb prices are forecast at \$127-133/cwt.

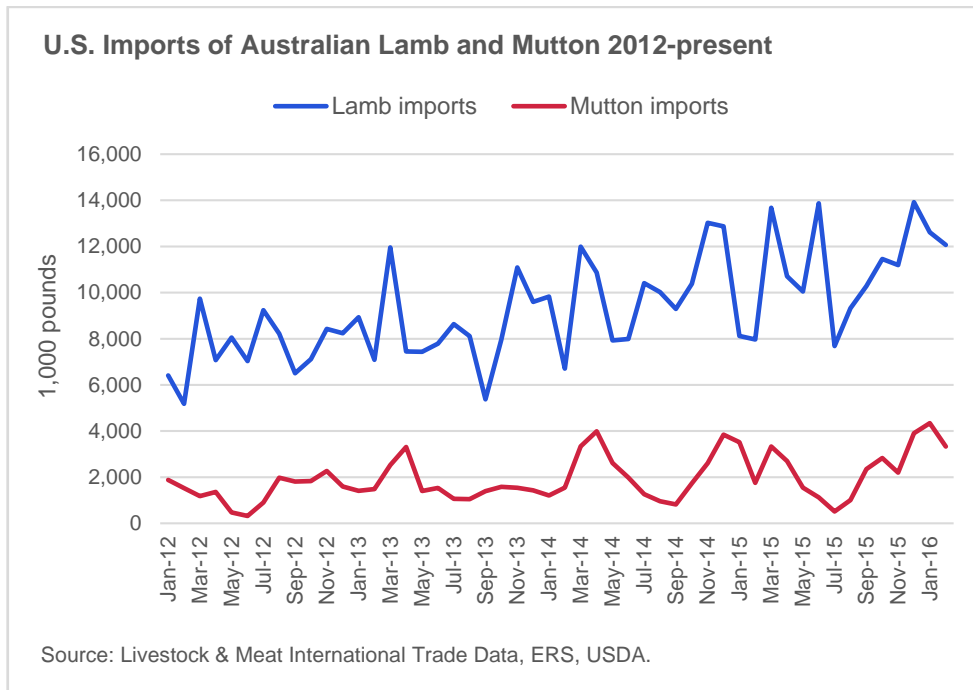
First-quarter 2016 lamb and mutton commercial production is expected to have been 38 million pounds, nearly unchanged from the same period in 2015. Typically, Easter and Passover occur very close to each other and lamb production normally spikes to capture the anticipated increase in consumption during these holidays. This year the holidays are a month apart. The early arrival of Easter during the first quarter and the subsequent arrival of Passover later in April appear to have dampened the customary spike in lamb production. Second-quarter commercial production is also forecast at 38 million pounds. Both the first and second quarter commercial lamb production was below last year's 39 million pounds when Easter and Passover occurred around the same time in the second quarter. However, overall 2016 production is expected to be slightly higher than last year.



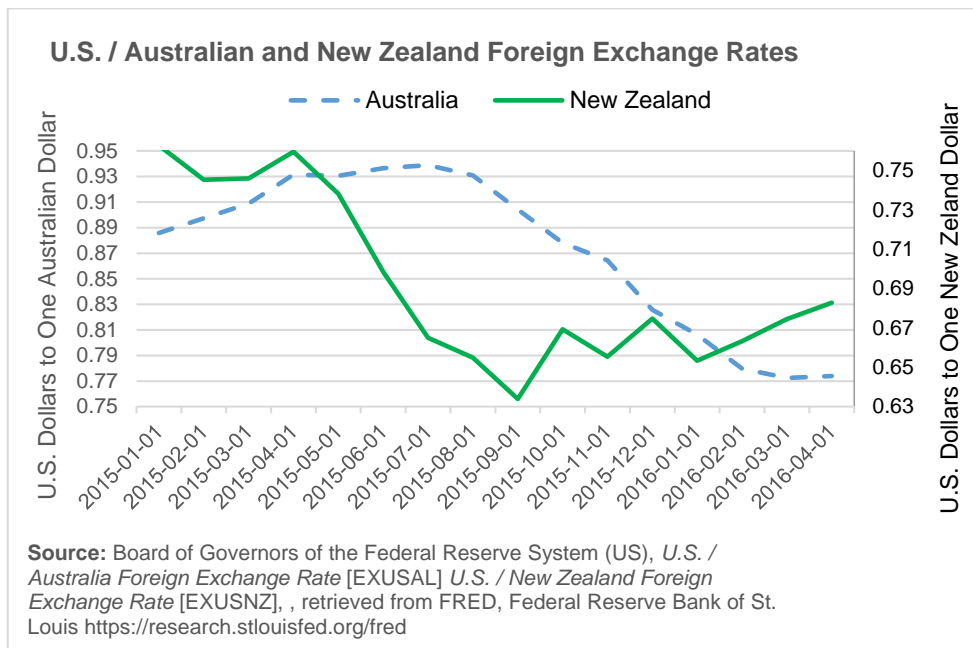
### *U.S. Lamb and Mutton Trade*

February 2016 U.S. total imports of lamb and mutton totaled 21.6 million pounds, with a continued boost from Australia and New Zealand. February 2016 trade data show 15.4 and 5.6 million pounds of Australian and New Zealand lamb and

mutton imported to the United States, up 58 and 70 percent, respectively compared with February 2015.



The strong U.S. dollar relative to the currencies of Australia and New Zealand continues to make imports from those countries attractive. Favorable prices combined with an uptick of drought-related slaughter from Australia and to a lesser extent New Zealand, have enabled them to expand their exports to the United States compared with earlier years. For the first 2 months of 2016, combined imports from Australia and New Zealand to the United States have increased roughly 47 percent year over year.



As for exports, February 2016 U.S. lamb and mutton exports totaled 268,000 pounds, down nearly 58 percent year-over-year. The strong U.S. dollar relative to other countries is likely suppressing lamb and mutton exports. Exports are likely to show an increase in 2016.

## Poultry

### *Broiler Forecasts Unchanged for Production, Stocks, Exports, and Prices*

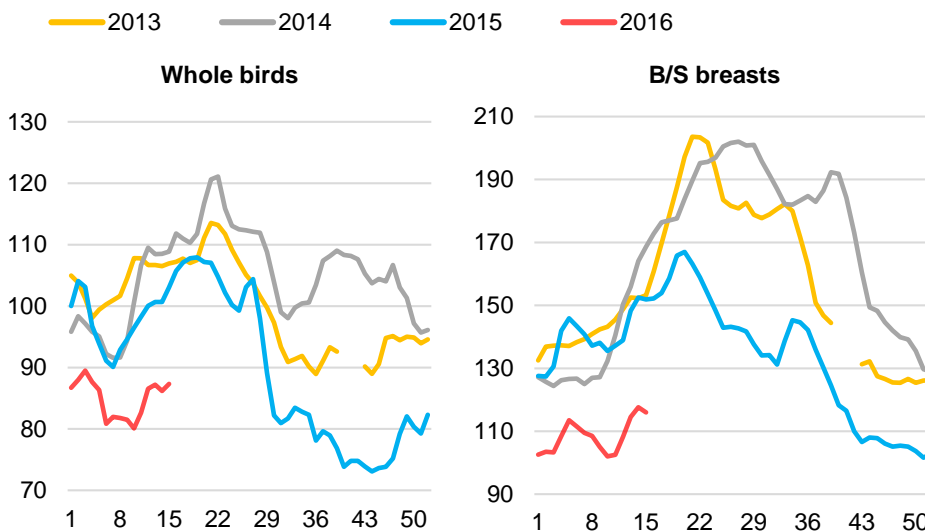
Year-to-date broiler meat production through the week ending April 2 registered about 3-percent growth year to date on a ready-to-cook basis (RTC). The headcount of birds slaughtered was up 1.4 percent year to date, and average live weight at slaughter was up 1.6 percent for the year. The first-quarter 2016 forecast of 10.1 billion pounds RTC was maintained due to continued strong growth in production. The forecast also factors in more production from 1 additional slaughter day over 2015. Outlying quarters' forecasts were unchanged from previous levels, with 41.1 billion pounds RTC expected in 2016.

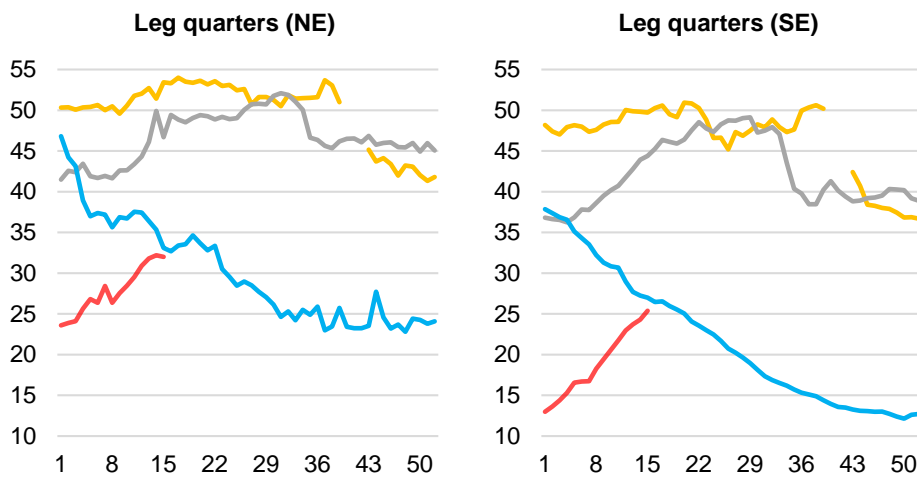
Broiler meat in cold storage continued a downward trend, coming in at 783 million pounds as of February 29. Leg quarter stocks declined by 6 percent month-over-month, while breast meat ticked up slightly to a new record. The pace of the overall downward trend in total broiler stocks is expected to have slowed in the last month of the first quarter, as indicated by weekly cold storage data as of April 5. On this basis, the first-quarter forecast for broiler cold storage was held at 780 million pounds, and outlying quarters were left unchanged.

Wholesale prices for broiler meat were mostly up during March, with the national composite price for whole birds up 9 percent in the 5 weeks after it hit its year-to-date low for the week ending March 5. Boneless/skinless (B/S) breasts in the Northeast bounced back from a low in that same week, up 14 percent through the week ending April 9. These whole bird and breast prices are still significantly lower than they were over 2013-2015 during the same period (see chart below). On the other hand, leg quarter prices in both the Northeast and Southeast markets have improved consistently this year, now clearly on trend to surpass last year's prices for the same period (see chart).

The forecasts for national composite whole bird prices for quarters 2 through 4 were left unchanged, with a steady increase through quarter 3 before backing off slightly to average 84-88 cents per pound for 2016.

#### Weekly average U.S. broiler meat prices by year





Source: Agricultural Marketing Service (USDA).

Note: Whole bird price is the national composite. Breast price is for boneless/skinless. Leg quarters are bulk prices. NE (Northeast). SE (Southeast).

### ***Turkey Production Forecast Higher in First-Half 2016***

U.S. turkey meat production in first-quarter 2016 is now estimated at 1.4 billion pounds, down less than 1 percent from a year earlier, and production in first-half 2016 is forecast at 3 percent above that of 2015. Production is expected to expand as the year progresses as the turkey industry continues to gradually recover from the impact of Highly Pathogenic Avian Influenza (HPAI) and is expected to also benefit from relatively stable corn and soybean meal prices, continued growth in the domestic economy, and a forecast increase in exports. Total turkey production for 2016 is forecast at 6 billion pounds, 7 percent higher than a year earlier.

In February, turkey meat production was 454 million pounds, 4 percent higher than the previous year. This was due to a 6-percent increase in the number of birds slaughtered, largely due to an extra slaughter day in February compared to last year. In February, the average live weight of birds fell to 31 pounds, a decrease of 1 percent from February 2015.

At the end of February, turkey products in cold storage totaled 338 million pounds, 5 percent higher than the previous year. On a year-over-year basis, the changes in turkey cold storage holdings in February were varied, with stocks of whole birds down by 14 percent but stocks in all the other categories significantly higher. The chief factor holding down growth in turkey cold storage holdings was lower quantities of whole toms. In February stocks of whole toms were 61 million pounds, 24 percent lower than the previous year, while stocks of whole hens were 76 million pounds, a decline of only 4 percent. Over the first half of 2016, production is forecast to increase by almost 3 percent, but with exports still relatively weak due to HPAI-related trade bans, quarterly cold storage holdings are forecast higher than year-earlier throughout 2016.

The lower stocks of whole birds have been reflected in a higher average price in first-quarter 2015 (\$1.15 per pound), an increase of 15 percent. Prices for whole birds are forecast to remain above their year-earlier levels through the second quarter, but then to become lower than the previous year. The decline in the



second half of 2016 is due to the increase in prices in the second half of 2015 as HPAI reduced production. The greater cold storage holdings for turkey parts have resulted in generally lower prices for parts. Prices for breast meat products in March were still above those of a year earlier but since the beginning of 2016 have been declining in price. Almost all leg meat products are down significantly from the previous year; tom drumsticks in March averaged just under \$0.50 per pound, over 20 percent lower than the previous year. Thigh meat declined to approximately \$1.03 per pound in March, also over 20 percent lower. Higher production, especially in the second half of the year—along with larger cold storage holdings—is forecast to keep downward pressure on turkey parts.

### ***Egg Production Falls, Prices Also Decline***

Over the first 2 months of 2016, table egg production has totaled 1.15 billion dozen, 3 percent lower than during the same period in 2015. The decline in egg production is due to the continued lower numbers of hens in the table egg flock. Over the first 2 months, the number of layers in the table egg flock has averaged 295 million, a decline of 4 percent from the previous year. The 2015 HPAI outbreak caused a large drop in the table egg flock, and while it has partially recovered it still remains below the previous year. Production of table eggs is forecast to gradually increase through the remaining three quarters of the year and total 7.2 billion dozen, 4 percent higher than in 2015.

Production of hatching egg has moved in the opposite direction of that for table eggs. Over the first 2 months of 2016 it has totaled 183 million dozen, 4 percent higher than the previous year. Part of the increase is due to an increase in the number of layers in the hatching flock (up 2 percent), but over the first 2 months of 2016 the average rate of lay was also 2 percent higher. Forecast higher broiler production and continuing efforts to rebuild the table egg laying flock will provide hatching egg producers an incentive to expand production, with total output forecast at 1.1 billion dozen, 2 percent higher than the previous year.

Normally, with a decline in egg production, egg prices would be expected to be higher compared to the previous year. However, in the first quarter of 2016, egg prices in the New York market averaged \$1.22 per dozen, a drop of 17 percent from the same period in 2015. Most of the decline came in March, with prices averaging just over \$1.00 per dozen. In past years there has been a brief jump in egg prices prior to the Easter holiday. In 2016, prices through the first half of March were \$1.05 per dozen, but then declined to around \$0.75 per dozen in the second half of March and into April.

With this strong decline in price, the forecasts for the remaining three quarters of 2016 were significantly lowered. The average for second-quarter 2016 was reduced to \$0.85-\$0.89 per dozen, down from \$1.70 in second-quarter 2015. The forecasts for the third and fourth quarters were reduced to \$0.85-\$0.93 and \$1.06-\$1.14 per dozen, well below the high prices in the second half of 2015 when production was greatly lowered due to the HPAI outbreak.

### Poultry Trade

#### *February Exports Up for Broilers, Forecast Maintained*

Broiler meat exports in February were up 8 percent year over year and hit their highest level since June, highlighting an improving outlook in the wake of the 2015 HPAI outbreak. However, other factors continue to negatively influence this trade, including a strong dollar and weak global growth (see this month's special article, "Factors Affecting the Decline in U.S. Broiler Exports"). Export forecasts for the first quarter and outlying quarters were left unchanged, totaling almost 7 percent more expected exports over 2015.

#### *Turkey Exports Continue Lower*

Turkey exports in February totaled 40 million pounds, down 16 percent from a year earlier. Again the main cause for the decline was lower shipments to Mexico, our primary market for turkey exports. In February, shipments to Mexico fell to 23 million pounds, a decrease of 23 percent from a year earlier. Exports in first-quarter 2016 are forecast at 120 million pounds, unchanged from the previous month. However, the continued weakness in the turkey export market resulted in the export forecast for each of the remaining quarters to be decreased by 15 million pounds. This lowers the total for 2016 to 610 million pounds, a 14-percent increase from a year earlier. Exports in 2015 declined due to a combination of trade bans related to the HPAI outbreak and tight domestic supplies.

#### *Egg Exports Down 37 Percent*

Exports of eggs and egg products continue to be well below earlier levels; shipments in February totaled 19.8 million dozen on a shell-egg equivalent basis, 37 percent lower than a year earlier. The decline was the result of lower shipments of both shell eggs and egg products. Overall, most of the decrease occurred from lower shipments to Mexico, which were 69 percent less than the previous year. Exports were again impacted by some continued trade restrictions related to the 2015 HPAI outbreak and tight domestic supplies. Relatively strong prices for shell eggs in January and February also impacted shipments. The estimate for first-quarter 2016 was reduced to 65 million dozen, down 5 million from last month's forecast. With falling egg prices in April, the forecasts for the remaining quarters were not reduced, leaving the total for 2016 at 315 million dozen, marginally lower than in 2015.

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Livestock & Meat Domestic Data, <http://www.ers.usda.gov/data-products/livestock-meatdomestic-data.aspx>, contains domestic supply, disappearance, and price data.

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

## Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/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>  
Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>  
Hogs, <http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx>  
Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>  
WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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

	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
<b>Production, million lb</b>																									
Beef	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	5,855	6,066	6,105	23,690	<b>5,945</b>	<b>6,190</b>	<b>6,395</b>	<b>6,295</b>	<b>24,825</b>
Pork	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	5,925	5,957	6,456	24,499	<b>6,240</b>	<b>5,935</b>	<b>6,170</b>	<b>6,625</b>	<b>24,970</b>
Lamb and mutton	39	39	39	40	156	38	41	40	38	156	37	43	38	38	156	38	39	37	37	150	<b>38</b>	<b>38</b>	<b>37</b>	<b>39</b>	<b>152</b>
Broilers	9,089	9,381	9,372	9,198	37,039	9,144	9,466	9,683	9,537	37,830	9,299	9,618	9,835	9,814	38,565	9,718	10,021	10,372	9,937	40,048	<b>10,100</b>	<b>10,200</b>	<b>10,500</b>	<b>10,300</b>	<b>41,100</b>
Turkeys	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	1,389	1,352	1,458	5,627	<b>1,425</b>	<b>1,475</b>	<b>1,525</b>	<b>1,585</b>	<b>6,010</b>
Total red meat & poultry	22,865	23,084	23,274	23,739	92,963	22,743	23,183	23,563	23,844	93,333	22,471	22,934	23,111	23,671	92,187	23,156	23,381	23,937	24,146	94,619	<b>23,893</b>	<b>23,998</b>	<b>24,786</b>	<b>25,000</b>	<b>97,677</b>
Table eggs, mil. doz.	1,684	1,680	1,707	1,778	6,849	1,733	1,746	1,775	1,829	7,083	1,794	1,823	1,852	1,895	7,364	1,809	1,712	1,646	1,700	6,867	<b>1,745</b>	<b>1,750</b>	<b>1,800</b>	<b>1,875</b>	<b>7,170</b>
<b>Per capita disappearance, retail lb 1/</b>																									
Beef	14.0	14.6	14.5	14.2	57.3	13.7	14.5	14.3	13.9	56.3	13.1	13.9	13.7	13.4	54.1	13.1	13.6	13.9	13.3	53.9	<b>13.6</b>	<b>13.9</b>	<b>14.0</b>	<b>13.6</b>	<b>55.0</b>
Pork	11.1	10.9	11.2	12.7	45.9	11.5	11.2	11.4	12.7	46.8	11.3	11.0	11.1	13.0	46.4	12.3	11.8	12.1	13.5	49.8	<b>12.6</b>	<b>11.8</b>	<b>12.4</b>	<b>13.4</b>	<b>50.2</b>
Lamb and mutton	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	0.2	0.3	0.2	0.3	1.0	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>
Broilers	20.1	20.4	20.3	19.7	80.4	20.0	20.3	21.0	20.5	81.8	20.3	20.8	21.2	21.1	83.3	21.4	22.1	23.3	22.1	88.9	<b>22.6</b>	<b>22.5</b>	<b>23.2</b>	<b>22.5</b>	<b>90.9</b>
Turkeys	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.7	15.9	3.4	3.5	3.9	4.9	15.7	3.5	3.6	3.9	4.9	16.0	<b>3.6</b>	<b>3.8</b>	<b>4.3</b>	<b>5.1</b>	<b>16.8</b>
Total red meat & poultry	49.3	50.3	50.6	52.0	202.1	49.5	50.2	51.3	52.4	203.4	48.7	49.8	50.5	53.1	202.0	50.9	51.8	53.7	54.5	210.9	<b>53.0</b>	<b>52.6</b>	<b>54.5</b>	<b>55.3</b>	<b>215.3</b>
Eggs, number	63.2	62.2	63.3	65.6	254.3	64.3	63.4	64.7	66.1	258.6	65.5	66.2	67.2	67.7	266.6	65.0	62.3	61.1	64.5	252.9	<b>65.7</b>	<b>64.6</b>	<b>65.3</b>	<b>67.6</b>	<b>263.2</b>
<b>Market prices</b>																									
Choice steers, 5-area Direct, \$/cwt	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	158.11	144.22	127.71	148.12	134.81	<b>132-138</b>	<b>128-138</b>	<b>129-139</b>	<b>131-137</b>
Feeder steers, Ok City, \$/cwt	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	219.69	206.47	173.59	202.52	155.70	<b>152-158</b>	<b>155-165</b>	<b>160-170</b>	<b>156-162</b>
Cutter Cows, National L.E., \$/cwt	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	109.50	103.34	77.80	99.56	73.50	<b>77-83</b>	<b>77-87</b>	<b>80-90</b>	<b>77-83</b>
Choice slaughter lambs, San Angelo, \$/cwt	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	140.09	146.23	142.52	144.00	133.33	<b>127-133</b>	<b>130-140</b>	<b>133-143</b>	<b>131-137</b>
Nat'l base cost, 51-52 % lean, live equivalent, \$/cwt	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	53.20	54.59	44.66	50.23	44.63	<b>48-50</b>	<b>48-52</b>	<b>41-45</b>	<b>46-48</b>
Broilers, 12 City, cents/lb	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	104.20	83.70	77.20	90.50	84.60	<b>84-88</b>	<b>85-91</b>	<b>84-90</b>	<b>84-88</b>
Turkeys, Eastern, cents/lb	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	108.50	126.40	130.10	116.20	114.70	<b>114-118</b>	<b>106-114</b>	<b>111-121</b>	<b>111-117</b>
Eggs, New York, cents/doz.	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	170.30	235.70	174.10	181.80	121.50	<b>85-89</b>	<b>86-92</b>	<b>106-114</b>	<b>100-104</b>
<b>U.S. trade, million lb</b>																									
Beef & veal exports	558	624	650	620	2,452	557	636	716	680	2,589	583	667	679	644	2,573	526	606	541	593	2,266	<b>525</b>	<b>635</b>	<b>660</b>	<b>635</b>	<b>2,455</b>
Beef & veal imports	582	669	516	453	2,220	590	629	515	516	2,250	597	767	765	818	2,947	876	991	890	613	3,370	<b>800</b>	<b>805</b>	<b>695</b>	<b>600</b>	<b>2,900</b>
Lamb and mutton imports	38	36	38	41	154	49	44	36	44	173	46	49	45	55	195	53	56	46	59	213	<b>59</b>	<b>50</b>	<b>46</b>	<b>48</b>	<b>203</b>
Pork exports	1,442	1,301	1,251	1,386	5,379	1,217	1,225	1,205	1,341	4,988	1,347	1,279	1,090	1,140	4,857	1,165	1,334	1,172	1,270	4,941	<b>1,225</b>	<b>1,300</b>	<b>1,275</b>	<b>1,400</b>	<b>5,200</b>
Pork imports	207	191	198	205	802	208	210	229	233	880	212	240	256	299	1,008	278	264	269	300	1,111	<b>300</b>	<b>270</b>	<b>290</b>	<b>320</b>	<b>1,180</b>
Broiler exports	1,734	1,791	1,864	1,886	7,274	1,752	1,865	1,855	1,874	7,346	1,827	1,834	1,857	1,782	7,301	1,629	1,714	1,483	1,493	6,319	<b>1,590</b>	<b>1,675</b>	<b>1,725</b>	<b>1,750</b>	<b>6,740</b>
Turkey exports	180	184	216	216	797	179	182	198	202	760	163	188	223	231	805	154	123	125	131	533	<b>120</b>	<b>140</b>	<b>165</b>	<b>185</b>	<b>610</b>
Live swine imports (thousand head)	1,445	1,444	1,387	1,380	5,656	1,326	1,285	1,223	1,113	4,948	1,195	1,216	1,264	1,272	4,947	1,312	1,538	1,371	1,520	5,741	<b>1,475</b>	<b>1,550</b>	<b>1,600</b>	<b>1,625</b>	<b>6,250</b>

Note: Forecasts are in bold.

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

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

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Updated 4/15/2016

## Dairy Forecasts

	2014	2015					2016				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thousands) 1/	9,257	9,309	9,321	9,315	9,321	9,317	9,310	9,315	9,310	9,305	9,310
Milk per cow (pounds)	22,260	5,579	5,763	5,549	5,503	22,394	5,675	5,805	5,640	5,635	22,755
<b>Milk production (billion pounds)</b>	<b>206.1</b>	<b>51.9</b>	<b>53.7</b>	<b>51.7</b>	<b>51.3</b>	<b>208.6</b>	<b>52.8</b>	<b>54.1</b>	<b>52.5</b>	<b>52.4</b>	<b>211.8</b>
Farm use	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	205.1	51.7	53.5	51.4	51.1	207.7	52.6	53.8	52.3	52.2	210.9
<b>Milkfat (billion pounds milk equiv.)</b>											
Milk marketings	205.1	51.7	53.5	51.4	51.1	207.7	52.6	53.8	52.3	52.2	210.9
Beginning commercial stocks	11.2	11.2	13.3	15.6	14.1	11.2	13.3	15.4	16.5	14.2	13.3
Imports	4.3	1.2	1.3	1.5	1.6	5.7	2.0	1.9	1.7	1.9	7.5
Total supply	220.6	64.2	68.1	68.6	66.7	224.6	67.9	71.1	70.5	68.3	213.7
Commercial exports	12.4	2.4	2.5	2.1	1.8	8.8	2.2	2.1	2.1	2.0	8.4
Ending commercial stocks	11.2	13.3	15.6	14.1	13.3	13.3	15.4	16.5	14.2	12.7	12.7
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	196.9	48.5	50.1	52.4	51.5	202.5	50.4	52.5	54.2	53.6	210.6
<b>Skim solids (billion pounds milk equiv.)</b>											
Milk marketings	205.1	51.7	53.5	51.4	51.1	207.7	52.6	53.8	52.3	52.2	210.9
Beginning commercial stocks	11.7	13.1	13.7	14.6	14.0	13.1	13.9	14.4	16.0	14.8	13.9
Imports	5.6	1.4	1.5	1.4	1.6	5.9	1.5	1.6	1.5	1.6	6.2
Total supply	222.4	66.2	68.7	67.5	66.6	226.7	68.0	69.8	69.8	68.6	230.9
Commercial exports	39.1	8.8	10.7	9.1	8.7	37.3	8.6	9.3	9.3	9.1	36.2
Ending commercial stocks	13.1	13.7	14.6	14.0	13.9	13.9	14.4	16.0	14.8	14.1	14.1
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	170.2	43.7	43.4	44.3	44.1	175.5	45.0	44.5	45.8	45.5	180.6
<b>Milk prices (dollars/cwt) 2/</b>											
All milk	23.97	17.00	16.70	16.93	17.70	17.08	15.65	14.40	14.60	15.30	15.00
								-14.80	-15.30	-16.30	-15.50
Class III	22.34	15.73	16.24	16.14	15.07	15.80	13.75	13.30	13.60	13.90	13.65
								-13.70	-14.30	-14.90	-14.15
Class IV	22.09	13.62	13.77	13.71	16.28	14.35	13.18	12.70	12.85	12.80	12.90
								-13.20	-13.65	-13.90	-13.50
<b>Product prices (dollars/pound) 2/</b>											
Cheddar cheese	2.155	1.567	1.663	1.718	1.634	1.645	1.517	1.465	1.505	1.540	1.510
								-1.505	-1.575	-1.640	-1.560
Dry whey	0.654	0.529	0.444	0.316	0.233	0.380	0.243	0.240	0.225	0.225	0.230
								-0.260	-0.255	-0.255	-0.260
Butter	2.136	1.647	1.838	2.135	2.648	2.067	2.067	1.995	1.990	1.975	2.005
								-2.065	-2.090	-2.105	-2.085
Nonfat dry milk	1.768	1.024	0.948	0.794	0.841	0.902	0.766	0.740	0.760	0.765	0.760
								-0.780	-0.820	-0.835	-0.800

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 USDA 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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## Livestock, Dairy and Poultry Outlook: Special Article

# Factors Affecting the Decline in U.S. Broiler Exports

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### *Factors Affecting the Decline in U.S. Broiler Exports*

In 2015, the United States experienced its worst-ever outbreak of Highly Pathogenic Avian Influenza (HPAI), an event that exerted significant downward pressure on poultry exports. This report focuses on broilers because they account for the majority of poultry industry export value, totaling 76 percent of that value in 2014.

Most of the HPAI-related bird deaths occurred in layer chickens and turkeys; the direct impact on broiler production was much smaller since its production is concentrated in the Southeast, a considerable distance from the major outbreak areas. Broiler production in 2015 actually grew at a much faster rate than during 2011-2014, with slightly less than 4-percent annual growth rate on a ready-to-cook basis. However, the increased supply encountered lower demand, partly due to export markets closing in reaction to the HPAI outbreak, and U.S. broiler exports fell by near-record levels on a tonnage basis.

The ‘regionalization’ of trade restrictions was important in mitigating the negative effect on export demand, with most restrictions applying only to States where HPAI had been reported. U.S. broiler exports increased to some countries with regionalized HPAI trade restrictions, as well as to other countries, likely as a result of lower prices. The price-driven rebound in export volume was not as large as expected and did not return broiler prices to their previous level, with important consequences for domestic prices of leg quarters, for example. Additional negative pressure on exports resulted from a strong dollar and weakening global growth, as well as from a continued Russian ban on agricultural trade with the United States.

### *Most HPAI Trade Restrictions Target States*

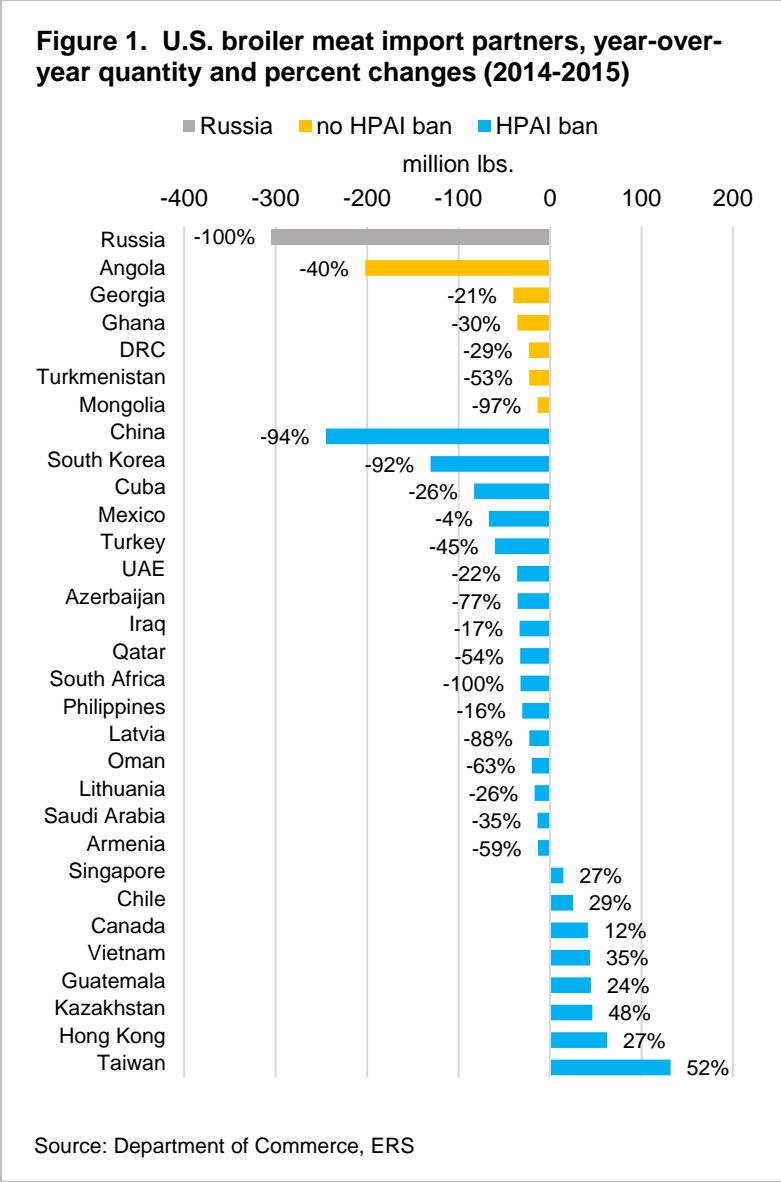
In 2015, more than 50 countries enacted HPAI-trade restrictions on U.S. broiler meat for some portion of the year, about three-quarters of the export market by 2014 market shares. Fewer than 20 countries banned U.S. broiler meat at the national level for more than 2 months, with the remainder of countries using State-, county-, and control-zone-level restrictions. At the beginning of 2015, the largest impact from HPAI resulted from export restrictions at the national level by two key markets, South Korea and China. Their combined market share of U.S. broiler meat exports in 2014 was 6 percent.

The majority of those countries restricting broilers used State-level restrictions. Many regionalized trade restrictions were also applied in January 2015, but these non-national bans had a limited effect on broiler exports at the time due to little overlap of HPAI and production during January and February. By early March, HPAI was present in States that accounted for almost 20 percent of broiler production in 2014, so that State-level trade restrictions began to have a much greater effect. A number of importers with State-level restrictions in March switched to county-level restrictions by May, mainly trading partners in the Americas. This supported exports, since the HPAI outbreak overlapped with very little broiler production by county, leaving broiler meat trade almost unaffected by county-level restrictions.

**Export Declines Beyond HPAI**

Another 2015 trend was that HPAI and trade declines did not overlap perfectly at the country level. Figure 1 shows that several countries reduced broiler imports without enacting an HPAI ban, such as Russia, where all agricultural imports were banned in mid-2014 due to a political dispute. Countries like Angola, Democratic Republic of the Congo (DRC), Turkmenistan, and Mongolia had trouble funding their imports due to declining income from raw materials. Also, many countries’ imports were reduced due to a stronger U.S. dollar in 2015, resulting in higher U.S. export prices, capital flight from developing countries, and diminished global growth. The decline in exports to Russia and Angola alone totaled more than half the year-over-year decline in all broiler exports.

The figure also shows an export increase to many countries with HPAI-related restrictions. Some of these countries are more likely to trade with the United States due to a generally close trading relationship, such as Canada, Taiwan, Singapore, and Hong Kong. Across all destinations for U.S. broiler meat, shipments increased at double-digit rates over 2014 for 48 countries. Exports to these countries were 30 percent greater. Demand for U.S. product by these countries was likely helped by low broiler prices, although these exports increased the most early in the year before prices hit their bottom.



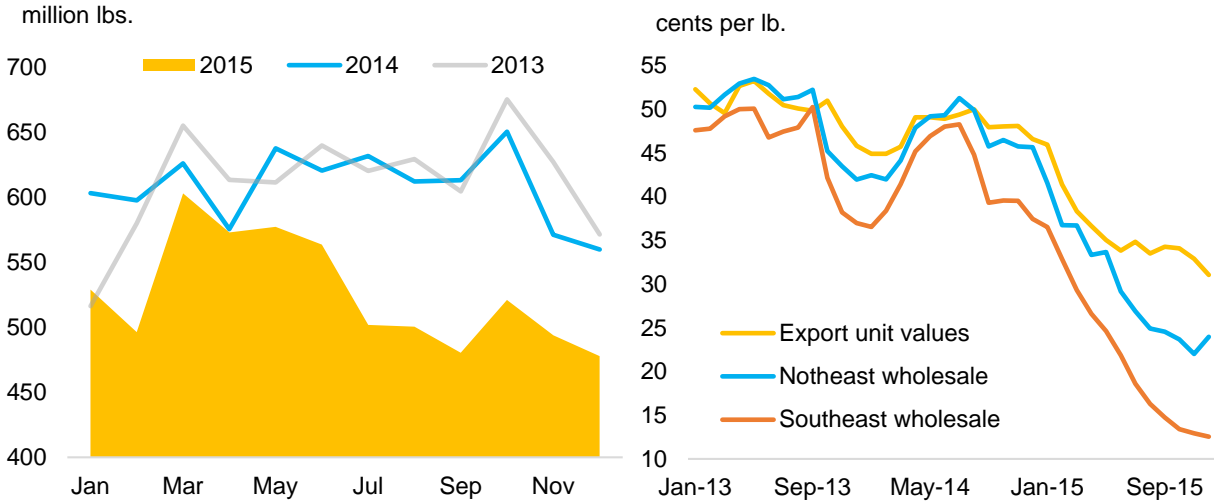
**A Pronounced Export Decline Hits Leg Quarter Prices**

Exports of U.S. broiler meat in 2015 declined by 13 percent from previous-year levels to their lowest level since 2007. This was the largest year-over-year decline since 2002, the only other year since the 1980s with a decline of more than 3 percent. Most of the 2015 export decline happened in the second half of the year, with an 18-percent decline from 2014 levels compared to a first-half decline of 9 percent. In March and April, a limited recovery brought exports to near-2014 levels, as some countries’ increased imports compensated for others’ declines, but the recovery was short-lived (figure 2, left panel). The compound effect of lower export prices and quantities reduced the total value of 2015 exports by 26 percent from the previous year, with a second-half decline of 36 percent.



Reduced demand for U.S. broiler meat exports increased domestic stocks and reduced prices for domestic leg quarters, most notably. While export unit values for leg quarters had monthly average declines of 25 percent in 2015, domestic wholesale prices fell 36 and 49 percent on the Northeast and Southeast markets, respectively. The transmission of reduced export demand to lower domestic prices for leg quarters is straightforward, since leg quarters are more than half of all broiler exports and exports account for nearly 20 percent of all broiler production in recent years. Figure 2 shows the growing spreads between leg quarter domestic prices and export unit values, with the spreads increasing throughout 2015. Domestic prices fell more because fewer exports increased domestic supplies and because Americans prefer less dark meat than does the foreign market. The price spread between the Northeast and Southeast markets probably also reflected the export decline. Southern broiler meat is more likely to be exported due to the much higher level of regional production and its proximity to Gulf ports, and the wholesale price there tracks export demand more closely than does the Northeast market, where the price tracks domestic consumption more closely.

**Figure 2. U.S. broiler meat export quantity by year and month, and leg quarter prices and export unit values**



Source: Department of Commerce, ERS, FAS, AMS

**Industry Remains Resilient**

A combination of the 2015 HPAI outbreak and economic weakness in some key markets drove large declines in U.S. broiler exports, especially in the second half of 2015. The global effects of a strong dollar and strong domestic production also led to declining export demand and downward pressure on prices.

Despite the price impacts of reduced trade, the U.S. broiler industry remains in an expansionary mode, with 2016 production currently forecast at almost 3 percent above 2015. USDA succeeded in promoting regionalization of trade restrictions to limit the effect of the HPAI-related bans on export demand. Also, the distance of the majority of broiler production from the HPAI-affected areas limited the amount of U.S. production that was affected by bans. With expectations of a recovery in exports to many markets and increased domestic use, some of the price pressure exhibited in the second half of 2015 has begun to ease.