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Situation and Outlook

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Livestock, Dairy, and Poultry Outlook

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Seasonality of Hog and Broiler Weights Determined by Prices and Weather Dynamics

Intrayear dynamics of hog and broiler weights at slaughter are largely determined by prices of inputs (feed), outputs (pork and chicken), and seasonal weather patterns. Both hog and broiler weights tend to reach their maximum in autumn months, when cooler temperatures improve animal performance. Weights decline into the summer months, when seasonal heat diminishes both hog and broiler appetites. Both hog and broiler weights have increased from their 10-year averages, a period which includes years when corn prices averaged more than \$6 per bushel. On the hog side, processors have begun to prefer heavier animals, likely, in part, to spread fixed processing costs over more pounds per animal. For 2017, hog weights were lower than year-earlier levels through August, likely due to early marketing by producers in anticipation of larger later-year hog supplies and lower prices. Since September, weights have increased, partly due to slower packer demand.

USDA/VAMS reports three weight categories for broiler slaughter: The lightest birds go primarily to fast food operations that buy chicken by the pound and sell it by the piece. The middle category is mostly whole birds for retail and rotisserie operations. The heavy category is for tray-pack and further processing, which gives processors more pounds of meat for the labor required to cut up each carcass. Much of the growth in chicken consumption has been in this cut-up and further-processed category, due to consumer preference for such cuts as skinless boneless breast meat. As a result, the average weight of birds has been increasing because a growing share of birds is being raised for the higher weight category, although some recent setbacks have occurred due to "wooden breast" issues.

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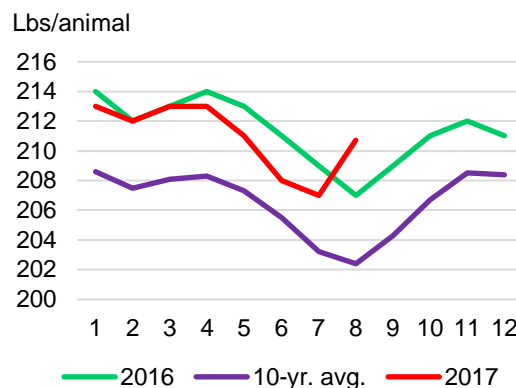
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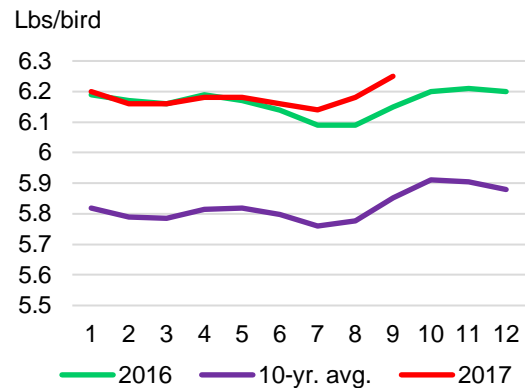
The next Outlook Report release is December 18, 2017

Approved by the World Agricultural Outlook Board.

Federally inspected hog slaughter weights



Federally inspected young chicken slaughter weights



Source: USDA, National Agricultural Statistics Service.

Cattle/Beef: Commercial beef production in 2017 was lowered, reflecting a slower pace of slaughter and lower carcass weights. Beef production in 2018 was raised on greater expected fed cattle marketings. For fourth-quarter 2017 and first-half 2018, feeder and fed cattle prices were forecast upward on strong feedlot and stocker demand from overwinter forage opportunities and packer demand for fed cattle. U.S. beef exports are forecast higher for 2017 and 2018 on continued competitiveness of U.S. beef overseas.

Dairy: With recent price declines for most dairy products in domestic and international markets, lower expectations for exports, and high global stocks of dairy products, the all-milk price forecast for the fourth quarter of 2017 is \$17.85-\$18.15 per cwt, a reduction from last month's forecast of \$18.10-18.50. The 2018 all-milk price forecast is \$16.90-\$17.80 per cwt, a reduction from last month's forecast of \$17.45-\$18.35. The 2018 all-milk price is now projected to be \$0.35 per cwt lower than 2017 at the midpoint of the range. With lower than expected milk production in the third quarter of 2017 and lower expected milk prices, milk production forecasts have been lowered. For the fourth quarter of 2017, the milk production forecast is 53.5 billion pounds, 0.1 billion less than last month's forecast. For 2018, the milk production forecast is 219.7 billion pounds, 0.7 billion pounds below last month's forecast.

Pork/Hogs: Hog slaughter numbers in October were below previous expectations on slower packer demand. Packers will likely continue to limit hog slaughter with the goal of pressuring hog prices lower, so as to reestablish seasonally wider gross packer spreads. Fourth-quarter hog prices are expected to average almost 5 percent above a year ago. Third-quarter pork exports were slightly lower than a year ago. Shipments to Mexico, South Korea, and Latin America were solid, but the absence of stronger exports to Japan and China hurt the U.S. bottom line.

Poultry: Projected broiler production for 2017 was increased because of higher than expected production in September, while projected exports were lowered for both 2017 and 2018 due to relatively weak September exports. Egg price projections were increased for the fourth quarter and the following quarter since recent prices have exceeded expectations. Whole turkey price projections were decreased further as prices have remained below historical averages. For 2018, turkey production projections were lowered 115 million pounds due to weakness in prices.

Cattle / Beef

Increased Placements To Drive Marketings in 2018

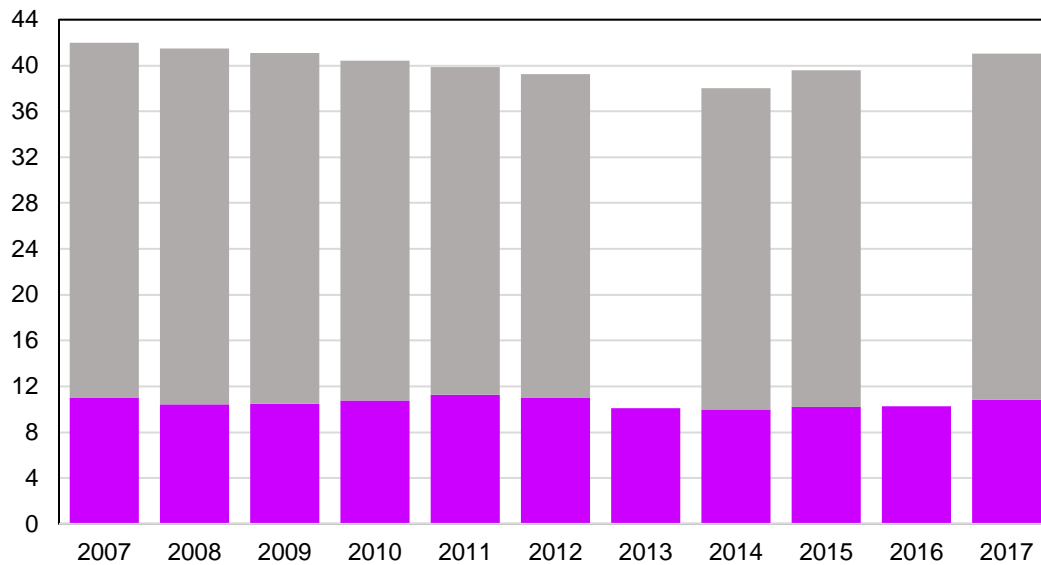
The 2017 U.S. commercial beef production forecast was reduced almost 150 million pounds from last month to 26.4 billion pounds on fewer fourth-quarter steer and heifer marketings and lighter carcass weights. Data on Federally inspected (FI) slaughter (AMS report SJ_LS 711) indicate that significantly more cows are being slaughtered as percent of the total for the week, suggesting overall dressed weights will remain relatively low. For the week ending October 28, the AMS report indicates that steer and heifer carcass weights have climbed to their highest levels since early January. However, these weights remain 16 and 11 pounds, respectively, below levels for the same period last year.

Beef production in 2018 is projected higher by about 325 million pounds from last month to 27.6 billion pounds. The 4.6-percent increase in beef production from 2017 is based on continued large feedlot placements in second-half 2017 and first-half 2018, leading to higher marketings and fed cattle slaughter in 2018. Comparing 2017 to 2015, the table below indicates that there were 5.7 percent more cattle on feed and 2.9 percent more cattle outside feedlots waiting to be placed on October 1. An increase in overwinter forage availability and a larger calf crop likely support the strong placements in 2018. The increase in the proportion of heifers on feed on October 1, 2017, may reflect that a modest retention of heifers for breeding supports more heifers to be placed on feed in the coming months. Based on strong margins at the retail and packer level, demand is expected to encourage feedlots to market cattle at a timely pace in 2018.

Cattle for placement higher on October 1

Thousand head

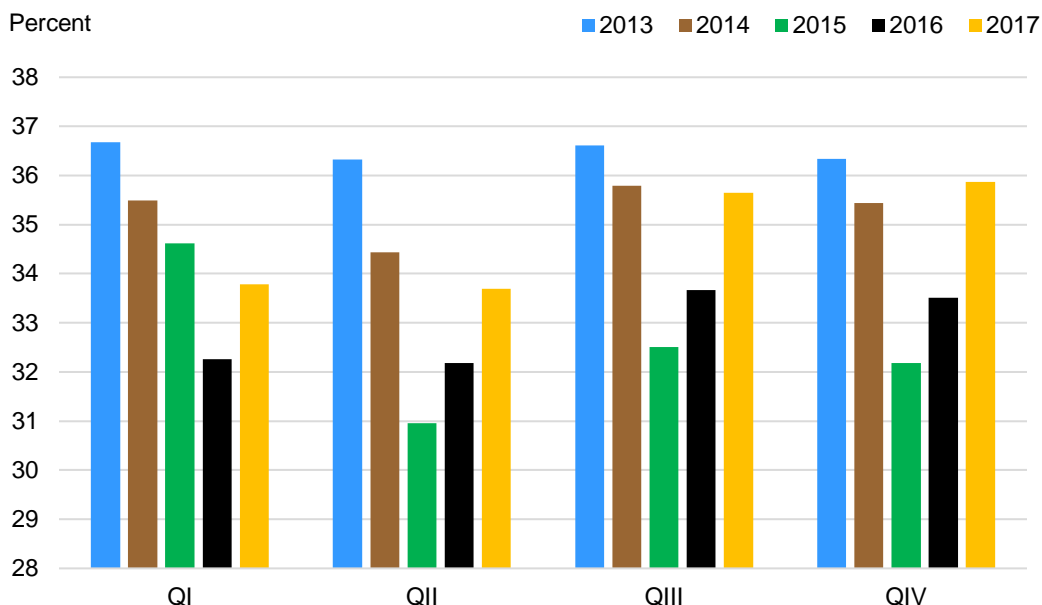
■ On-feed ■ Outside feedlots



Note: The July 1 *Cattle* report was not released in 2013 and 2016.

Source: USDA, Economic Research Service and National Agricultural Statistics Service.

Quarterly percent of heifers on feed*



(*): At beginning of period

Source: USDA, Economic Research Service.

Strong Demand To Drive Cattle Prices Up Through Early 2018

For most of 2017, market demand has pulled cattle through U.S. feedlots at a rapid pace, which has likely kept dressed weights lower than last year and limited the number of cattle in feedlots over 150 days. At present, packers may be forced to bid up prices because feedlots do not have an incentive to sell below their breakeven prices, in light of low feed costs and high futures prices for December and February. With strong demand for beef and continued firm packer margins, fed cattle prices for the fourth quarter are expected to average above last year. However, in the first half of 2018, fed prices are expected to be below those of 2017, reflecting increasing supplies of slaughter-ready cattle.

The fourth-quarter forecast for fed steer prices was raised from last month to \$117.00-\$121.00 per hundredweight (cwt), and the forecast for the first quarter of 2018 was raised to \$116.00-\$124.00/cwt. The price forecast for medium frame No.1 feeder steers 750-800 pounds was raised to \$155.00-\$159.00/cwt for the fourth quarter of 2017. The forecast for 2018 feeder steers was also raised to \$144.00-\$152.00/cwt in the first quarter and \$143.00-153.00/cwt in the second quarter.

U.S. Beef Imports Raised for 2017

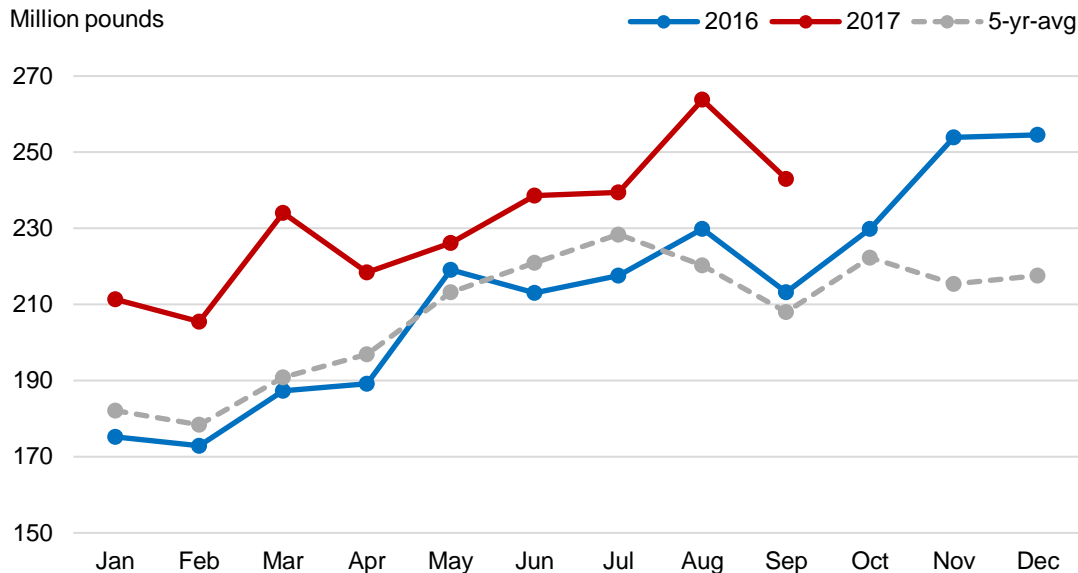
Beef imports were up 5 percent in September from a year earlier to 231 million pounds. Among the major sources of imported beef, increased imports from Australia (+20.2 million lbs) and Mexico (+4.2 million lbs) more than offset declines from Brazil (-10.4 million lbs) and Uruguay (-2.3 million lbs). As a result, imports during third-quarter 2017 were 8.4 percent (+63 million lbs.) higher than third-quarter 2016. The forecast for fourth-quarter 2017 imports was raised by 10 million lbs from last month based on sustained demand for lean meat in the United States and increased imports from Mexico. The forecast for 2018 beef imports was unchanged from last month.

U.S. Beef Export Demand Strength Continues

In September, U.S. beef exports reached 243 million pounds, a 14-percent jump year over year, largely due to elevated shipments to Japan (+20.9 million lbs). As a result, third-quarter 2017 exports were up 13 percent (+85.4 million lbs.) from last year to 746 million

lbs. Based on the current pace of export growth, seasonal fourth-quarter export patterns, and stronger weekly export sales data (<https://apps.fas.usda.gov/esrquery/>) in October, the U.S. beef export forecast for fourth-quarter 2017 was raised by 30 million lbs from last month. Higher domestic production, lower prices, and stronger demand in overseas markets are likely to continue the competitiveness of U.S. beef for the rest of 2017 and through 2018. The forecast for 2018 beef exports was raised slightly to 2.9 billion lbs.

Higher beef exports in each month of 2017



Source: USDA, Economic Research

Cattle Imports Lowered and Exports Raised for 2017 and 2018

The U.S. cattle import forecast for 2017 was revised downward by 10,000 head from last month. A slower pace of U.S. cattle imports during August and a decline in imports in September resulted in a 3-percent growth in imports from January through September 2017 relative to the previous year, to 1.275 million head. September 2017 cattle imports were 6,708 head lower than the same month last year, to 100,884 head. Imports declined from Canada (-9,510 head), outweighing increases from Mexico (+2,802 head). The cattle import forecast for 2018 was also lowered by 10,000 head from last month.

Cattle exports for 2017 were raised by 15,000 head from last month's forecast, based on higher year-to-date growth and expected seasonally higher fourth-quarter exports. Exports through September of 97,986 head are more than double last year's exports during the same period. U.S. cattle shipments through September are higher to both Canada (+44,942 head) and Mexico (+7,939 head) compared to last year. The forecast for 2018 cattle exports was also adjusted higher by 15,000 head.

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Recent Developments in Dairy Markets

From the week ending September 30 to the week ending November 4, wholesale prices reported in the USDA *National Dairy Products Sales Report* (NDPSR) declined for butter, nonfat dry milk (NDM), and dry whey but rose for cheese. Most dairy export prices of major global competitors fell from September to October. According to USDA *Dairy Market News*, the Western Europe export price for skim milk powder (SMP) was \$0.83 per pound in October (6 cents lower than September) and \$0.38 per pound for dry whey (6 cents lower than September). The fall in the butter price was the largest, a 51-cent drop from a record high of \$3.66 per pound in September to \$3.15 in October.

Dairy wholesale product prices (dollars per pound)

	For the week ending		Change
	Sep. 30	Oct. 28	
Butter	2.4797	2.3462	-0.1335
Cheddar cheese			
40-pound blocks	1.6406	1.7577	0.1171
500-pound barrels ¹	1.5686	1.7253	0.1567
Nonfat dry milk	0.8357	0.7865	-0.0492
Dry whey	0.4018	0.3643	-0.0375

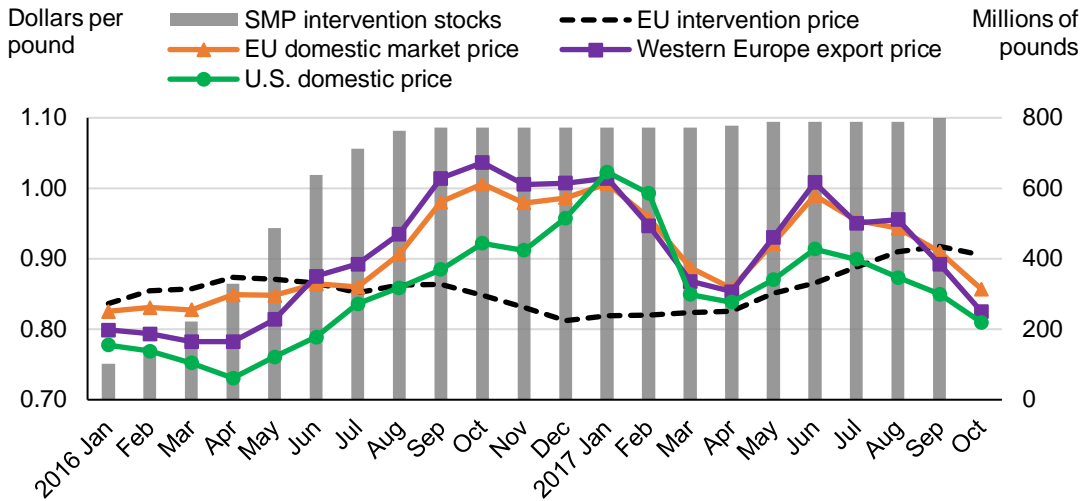
¹ Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*.

High stocks in the United States and the EU continue to overhang the market, especially for products with high skim-solids content. For the United States, September ending stocks on a milk-fat milk-equivalent basis were 16.3 billion pounds, 0.3 billion pounds above September 2016, and stocks on a skim-solids milk-equivalent basis were 2.4 billion pounds above the previous year at 12.1 billion pounds. September NDM ending stocks were 321.1 million pounds, 48.6 percent above the previous year, and dry whey stocks were 106.4 million pounds, a record high and more than double September 2016. Butter ending stocks, by contrast, were 4.5 percent lower than the previous year. Weak growth in domestic use has contributed to high stock levels. For the third quarter, it was only fractionally above 2016 at 54.0 billion pounds on a milk-fat basis and 44.4 billion pounds on a skim-solids basis.

EU intervention stocks of SMP have been high since the last half of 2016, standing at 800 million pounds at the end of September 2017. Most of the stocks are more than a year old. For the month of October, the EU domestic price for SMP was €1,608 per metric ton (\$0.86 per pound), lower than the intervention price of €1,698 per metric ton (\$0.91 per pound). However, the intervention program is not currently open. It is normally open from March through September, although there have been some exceptions. For example, in 2017 it was open from January through September. The EU is considering options for disposing of the SMP stocks at the same time that prices have fallen below intervention levels. In October, the European Commission accepted a bid to sell a small quantity out of intervention for €1440/ton (\$0.77 per pound in October).

U.S. and European nonfat dry milk (NDM) and skim milk powder (SMP) prices and EU SMP intervention stocks (prices--left axis, stocks--right axis, data not yet available for September and October stocks)

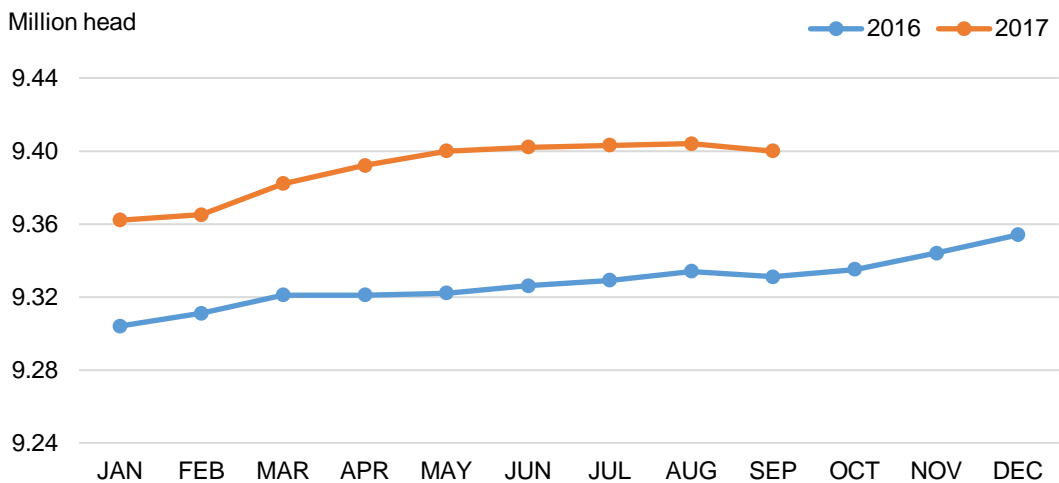


European prices have been converted from euros per metric ton to dollars per pound. The EU intervention price is €1,698 per metric ton; fluctuations are due to changes in the exchange rate. Stocks have been converted from metric tons to millions of pounds.

Sources: USDA Economic Research Service using data from the European Commission, USDA Agricultural Market Service, and the Board of Governors of the Federal Reserve System.

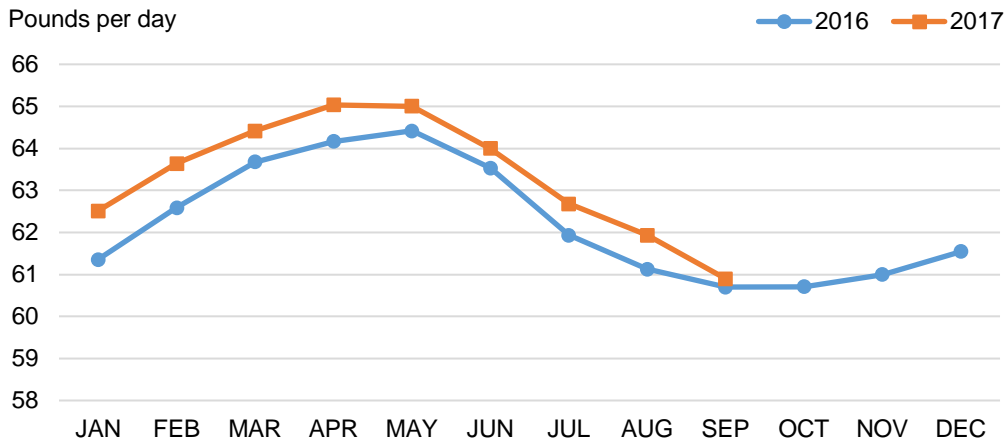
For the third quarter of 2017, U.S. milk production was 53.5 billion pounds. September milk production totaled 17.170 billion pounds, up 1.1 percent from September 2016. Milk cows in September numbered 9.400 million head, 4 thousand less than August but 69 thousand more than September 2016. Dairy cows slaughtered under Federal inspection totaled 249.6 thousand cows in September, 4.5 thousand more than September 2016, even with 1 less slaughter day in September this year. Daily milk per cow averaged 60.9 pounds, only 0.2 pounds higher than September 2016.

Number of milk cows



Source: USDA National Agricultural Statistics Service.

Average daily milk per cow



Source: USDA National Agricultural Statistics Service and USDA Economic Research Service calculations.

Exports on a milk-fat basis were 697 million pounds in September, 162 million less than August but 66 million more than September 2016. On a skim-solids basis, exports were 3.090 billion pounds, 355 million less than August and 327 million less than September 2016. From August to September, exports of NDM/SMP, cheese, and butter fell by 19.4 million, 7.7 million, and 2.3 million pounds, respectively.

September imports on a milk-fat basis were 437 million pounds, 70 million less than August and 95 million less than September 2016. On a skim-solids basis, September imports were 382 million pounds, 84 million less than August and 106 million less than September 2016. Notable month-to-month changes in imports included a decrease of 3.7 million pounds for milk protein concentrate (MPC) and an increase of 1.4 million pounds for whole milk powder.

Outlook for Dairy Feed Prices

The 2017/18 price forecast for corn is \$2.80-\$3.60 per pound, unchanged from last month's forecast. The soybean meal price forecast for 2017/18 is \$295-\$335 per short ton, a \$5 increase from last month's forecast at the midpoint of the range. The alfalfa hay price in September was \$149 per short ton, \$2 more than August and \$13 more than September 2016. For more information, see the USDA Economic Research Service publication *Feed Outlook*, at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1273>.

Dairy Forecasts for the Remainder of 2017

With slower than expected growth in cow numbers in the third quarter of 2017, the fourth-quarter estimate for milk cows has been lowered to 9.405 million head, 5 thousand less than last month's forecast. The milk per cow forecast for the fourth quarter is 5,685 pounds per head, 15 pounds lower than last month's forecast. The milk production forecast for the fourth quarter is 53.5 billion pounds, 0.1 billion less than last month's forecast. With lower than expected third-quarter milk production and a lower forecast for the fourth quarter, 2017 milk production is projected at 215.8 billion pounds, 0.4 billion less than last month's forecast.

With smaller than expected imports on a milk-fat basis in the third quarter expected to carry into the remainder of the year, the forecast for the fourth quarter has been lowered slightly to 1.6 billion pounds. With weaker expected exports of butter and cheese, the forecast for fourth-quarter exports on a milk-fat basis has been lowered to 2.3 million pounds, 0.1 billion less than last month's forecast. Stocks on a milk-fat basis remain high, as seasonal drawdowns have been lower than historical averages; the forecast for 2017

ending stocks has been raised to 13.6 billion pounds. With weaker than average stock drawdown, commercial use on a milk-fat basis is expected to remain relatively weak, and the fourth-quarter forecast has been lowered by 0.2 billion pounds.

Due to lower expected imports of MPC, the import forecast on a skim-solids basis for the fourth quarter of 2017 has been lowered to 1.5 billion pounds, 0.1 billion less than last month's forecast. With lower expected exports of NDM/SMP and whey products, the export forecast on a skim-solids basis for the fourth quarter has been lowered to 10.2 billion pounds, 0.5 billion pounds less than last month's forecast. With high stocks persisting through September, the forecast for 2017 ending stocks on a skim-solids basis is 12.6 billion pounds, 1.5 billion pounds higher than last month's forecast. With high stock levels expected for the end of the year, the forecast for domestic use on a skim-solids basis for the fourth quarter has been lowered by 0.2 billion pounds.

Based on recent price strength, the cheese price forecast has been raised for the fourth quarter to \$1.700-\$1.730 per pound. With the recent downward movements in U.S. and international prices and high global stock levels, fourth-quarter price forecasts for butter, NDM, and dry whey have been lowered to \$2.295-\$2.355, \$0.755-\$0.785, and \$0.345-\$0.365 per pound, respectively.

The Class III price forecast for the fourth quarter has been lowered to \$16.25-\$16.55 per cwt, as the lower expected whey price more than offsets the higher expected cheese price. The Class IV price forecast for the fourth quarter has been lowered to \$14.10-\$14.50 per cwt due to lower expected butter and NDM prices. The all-milk price forecast for the fourth quarter has been reduced to \$17.85-\$18.15 per cwt, a reduction from \$18.10-\$18.50 forecast last month. For the year, the all-milk price forecast is \$17.65-\$17.75 per cwt, a reduction from \$17.75-\$17.85 forecast last month.

Dairy Forecasts for 2018

The 2018 projection for milk cow numbers has been lowered by 5 thousand head to 9.440 million, as growth is still expected but from a lower base. Milk per cow for the year has been lowered 55 pounds to 23,280 pounds, in line with lower estimates for the fourth quarter of 2017 and lower expected milk prices. Milk production in 2018 is now forecast at 219.7 billion pounds, 0.7 billion pounds lower than last month's projection.

On a milk-fat basis, the forecast for imports in 2018 has been raised to 6.1 billion pounds due to higher expected imports of whole milk powder and butter. The 2018 export forecast on a milk-fat basis has been lowered to 9.4 billion pounds due to lower expected exports of butterfat products. Ending stocks are forecast 0.3 billion pounds higher than last month's forecast, at 12.4 billion pounds. Domestic use in 2018 on a milk-fat basis is forecast at 216.7 billion pounds, unchanged from the last forecast but showing even stronger growth from a lower forecast in 2017, as lower prices should help fuel domestic consumption.

Imports on a skim-solids basis are expected to be slightly lower in 2018 than was forecast last month at 6.1 billion pounds, due to lower expected MPC imports. Exports are also forecast lower than last month, at 41.7 billion pounds, with stiff export competition expected for NDM/SMP and whey product markets. Higher stocks this year are expected to persist throughout 2018; as a result, ending stocks on a skim-solids basis are now forecast 1.0 billion pounds higher at 10.7 billion pounds. The domestic use forecast on a skim-solids basis has been raised slightly to 185.1 billion pounds, which would represent growth of 4.0 percent from 2017.

While strong domestic demand for butter should continue, the butter price forecast for 2018 has been lowered to \$2.285-\$2.405 per pound due to large carryin supplies and lower expectations for exports. With high global stocks and lower expectations for exports, the NDM price forecast for the year has been lowered to \$0.770-\$0.840 per pound. With lower expected butter and NDM prices, more milk is expected to move into cheese

production. As a result, the cheese price forecast for 2018 has been lowered to \$1.625-\$1.715 per pound. With more expected cheese production increasing whey supplies, lower-priced NDM substituting for whey products in some applications, high beginning stocks, and high competition from global suppliers, the dry whey price forecast has been lowered to \$0.325-\$0.355 per pound.

As a result of lower product price forecasts for 2018, the Class III and Class IV price forecasts have been lowered to \$15.50-\$16.40 and \$14.15-\$15.15 per cwt, respectively. The all-milk price forecast for 2018 is \$16.90-\$17.80 per cwt, a reduction from \$17.45-\$18.35 forecast last month. The 2018 all-milk price is now projected to be \$0.35 per cwt lower than 2017 at the midpoint of the range.

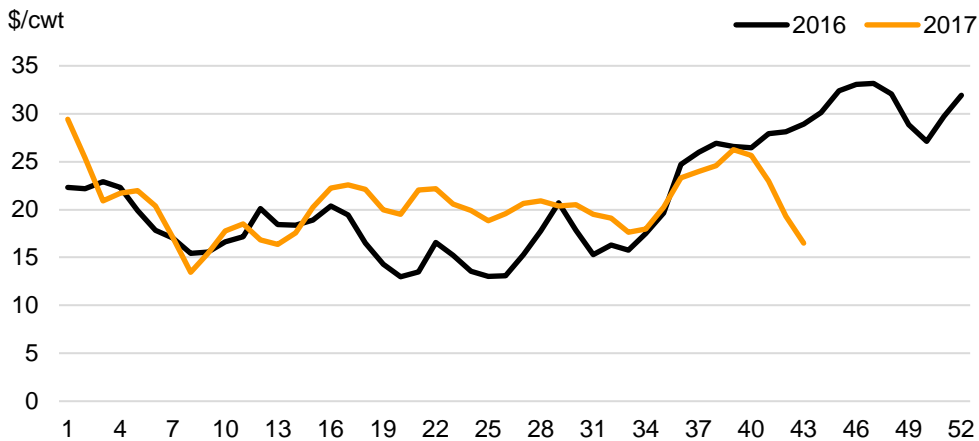
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Pork/Hogs

Lower Packer Demand for Hogs in October Reduced Pork Production

Lower gross packer spreads are likely a major factor behind recent lower packer demand for hogs and lower than expected October pork production. Estimated federally inspected hog slaughter in October was about 10.9 million head. Weaker than expected Friday and Saturday slaughter numbers and sharply lower October gross packer spreads (estimated pork carcass cutout plus byproduct drop value, minus lean hog price) suggest that some packers scaled back slaughter rates in order to resuscitate spreads that were squeezed by increased hog demand after two new Midwest packing facilities opened in September. The gross packer spread in October averaged \$21.10 per cwt, more than 24 percent lower than the same period a year ago.

Gross packer's spread



Source: USDA, ERS based on data from Agricultural Marketing Service.

For the balance of the fourth quarter, packers are expected to limit weekly slaughter numbers, thereby pressuring hog prices lower and nudging wholesale pork prices higher. Fourth-quarter pork production is expected to be 6.95 billion pounds, 4.6 percent higher than a year ago. Prices of live equivalent 51-52-percent lean hogs are expected to average \$38-\$40 per cwt, almost 5 percent above a year ago.

To the extent that slower schedules delay the slaughter of market-ready hogs in the fourth quarter, these hogs are expected to be carried forward and slaughtered early in 2018. In addition to higher expected slaughter numbers, higher average dressed weights contribute to the 70 million pounds of production added to commercial pork production in the first quarter of 2018. First-quarter pork production is expected to be 6.7 billion pounds, 4.7 percent more than a year ago. Average hog prices for the first quarter are forecast at \$45-\$47 per cwt, about 8 percent below the same period a year earlier.

Third-Quarter Pork Exports Fractionally Lower Than a Year Ago

Third-quarter exports came in just slightly lower than a year earlier: At 1.23 billion pounds, they were 0.4 percent lower than same-period exports last year. While third-quarter sales to Mexico, South Korea, and Latin America were solid, the absence of strong shipments to Japan and China hurt the U.S. bottom line. The 10 largest foreign destinations for third-quarter U.S. exports, along with export shares, are listed below.

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

Country	Exports 3Q 2016 (mil. lbs)	Exports 3Q 2017 (mil. lbs)	Percent change (2017/2016)	Export share 3Q 2016 %	Export share 3Q 2017 %
World	1,235	1,230	-0.4		
1 Mexico	398	423	6.2	32.2	34.4
2 Japan	304	279	-8.1	24.6	22.7
3 Canada	139	140	1.0	11.3	11.4
4 South Korea	65	77	18.1	5.2	6.2
5 China/Hong Kong	136	90	-33.9	11.0	7.3
6 Colombia	24	44	79.1	2.0	3.6
7 Australia	44	41	-7.7	3.6	3.3
8 Philippines	20	25	24.7	1.6	2.0
9 Chile	15	19	23.9	1.2	1.5
10 Honduras	16	17	7.3	1.3	1.4

Source: USDA, Economic Research Service.

Pork Export Forecasts Adjusted, Consistent With Expected Changes in Pork Production

The fourth-quarter export forecast was lowered by 50 million pounds on expectations of slower than initially expected fourth-quarter pork production and packer efforts to raise wholesale pork values. Exports in the final quarter of 2017 are expected to be 1.5 billion pounds. It is anticipated that lower first-quarter 2018 pork prices will create incentives for increased exports that will make up part of the reduction sustained in the fourth quarter of 2017. Thus, the first-quarter export forecast was raised to 1.475 billion pounds. Second-half 2018 exports were lowered slightly to bring forecasts into line with expectations for lower seasonal demand in key foreign markets. The revised 2018 pork export forecast totals 5.9 billion pounds, 5.6 percent above export volumes of 2017.

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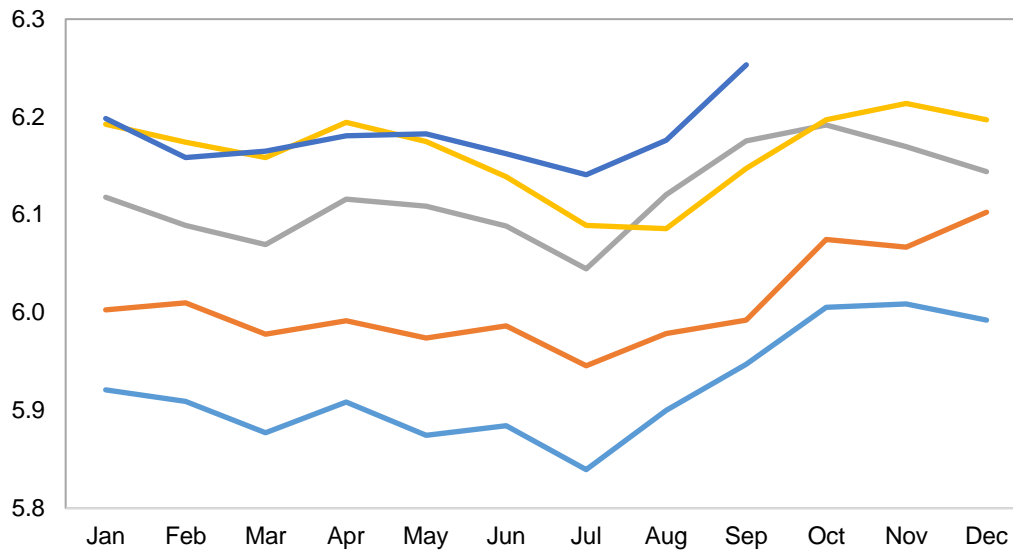
Broiler Production a Surprise in September

September broiler meat production was 3.4 billion pounds, slightly below last year due to one less slaughter day. A strong increase in bird weights, shown in the figure below, contributed to robust output on active slaughter days. Larger than expected bird weights were driven in part by a relatively cool summer in the South. During the summer months, bird weights showed a less pronounced seasonal decrease than the typical pattern that occurs when higher temperatures reduce bird appetites. In September, heavier bird weights may have encouraged producers to increase the pace of slaughter, since there have been some quality problems with the heavier-weight birds, i.e., “wooden” breast meat.

Recent broiler weights showed surprising growth

Broiler weights at slaughter, 2013-present

Lb per bird, live weight — 2013 — 2014 — 2015 — 2016 — 2017



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

Looking ahead, birds should continue to be available in good numbers based upon recent chick placements. Weights are not likely to grow at the trends seen prior to mid-2016. The fourth-quarter production forecast was left unchanged, as was the 2018 forecast.

Broiler exports in September were 523 million pounds, about 11 percent below last year. Exports to most major destinations were lower, although shipments to Japan and Iraq were higher. In September, leg quarter prices (Northeast) were 27 percent higher than a year earlier, which may have reduced purchases by price sensitive buyers, especially in lower income countries where leg quarters are often shipped. Expectations for future exports were reduced, with the 2017 projection lowered to 6,713 million pounds and the 2018 projection lowered to 6,910 million pounds.

Higher September production and lower exports lead to an increase of broiler meat in cold storage facilities, with month-ending stocks up 41 million pounds from August. Much of the broiler stock increase affected dark-meat items. Projected year-ending stocks were increased to 780 million pounds for 2017 and 2018.

Weekly prices for whole broilers (national composite) held relatively stable in October and rose to 86 cents per pound for the week ending November 10. Prices will likely trend

upwards after reaching the seasonal low point that typically occurs around this time of the year. Price projections for the remainder of 2017 and for 2018 were not changed.

Egg Price Forecasts Increased on Recent Surge

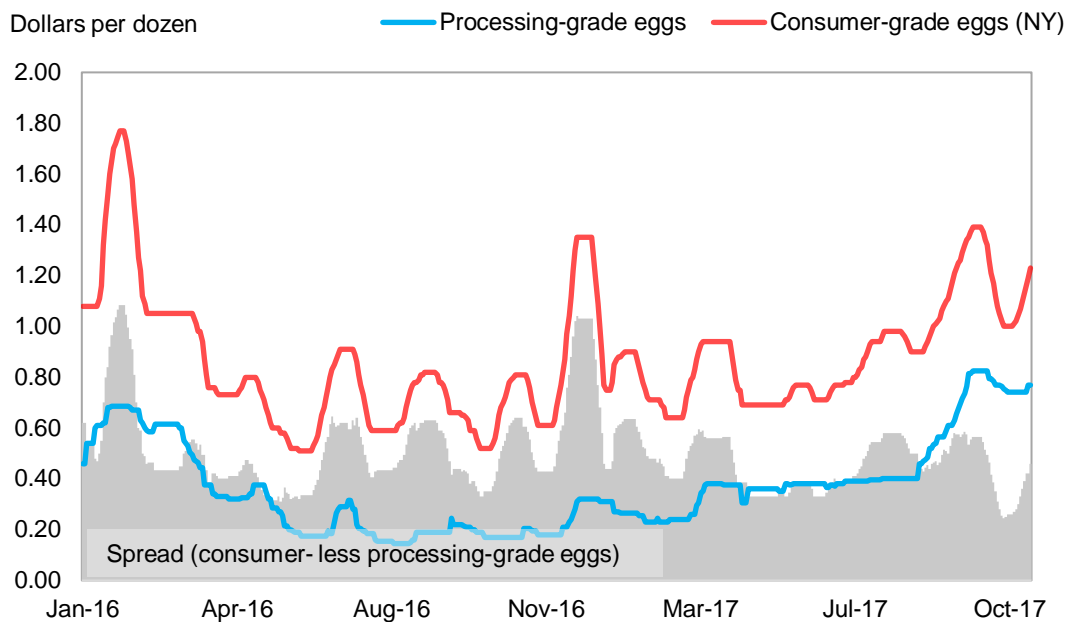
Table egg production was 614 million dozen in September, down over 2 million from the year before. The slight contraction was the first time since early 2016 that production was below a year earlier, resulting from tapered flock numbers and fewer eggs per layer due to previously weaker margins. Hatchery data has not suggested producer intentions to expand production, despite significantly improved margins resulting from recent higher prices. Projected total egg production for 2017 was marginally decreased due to recent data, while the 2018 projection was increased on slightly higher expectations for hatching egg production.

Egg and egg product exports in September were 30 million dozen (shell-egg equivalent), up 7 percent from last year. As occurred in August, much of the export increase over last year was accounted for by more shipments to Asia, including Japan, South Korea, and Hong Kong; their respective increases were 1.7 million, 1.2 million, and 0.9 million dozen over last year. Export growth was constrained by 2.2 million dozen fewer exports to Jamaica. The 2017 export projection was increased slightly to 320 million dozen due to this recent data.

Recent egg prices (large grade A eggs, New York) have been higher than expected, with prices over 153 cents per dozen as of November 14. An increase in prices began early this year, anticipating the typical fall seasonal increase as early as July and August, as seen in the figure below. October prices declined counterseasonally before rebounding in November. During this period, the price of processing-grade eggs, or “breaking eggs,” increased to the highest level since 2015, when avian influenza led to shortages and surging prices.

Recent egg price strength supported by higher prices for processing-grade eggs

Daily prices for processing- and consumer-grade eggs, and their spread, 2016-present



Notes: Processing-grade eggs are represented in the figure by Central States “breaking stock” reported by USDA, Agricultural Marketing Service (AMS). Consumer-grade eggs are represented by the USDA benchmark product, large grade A eggs in the New York market.

Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service (AMS).

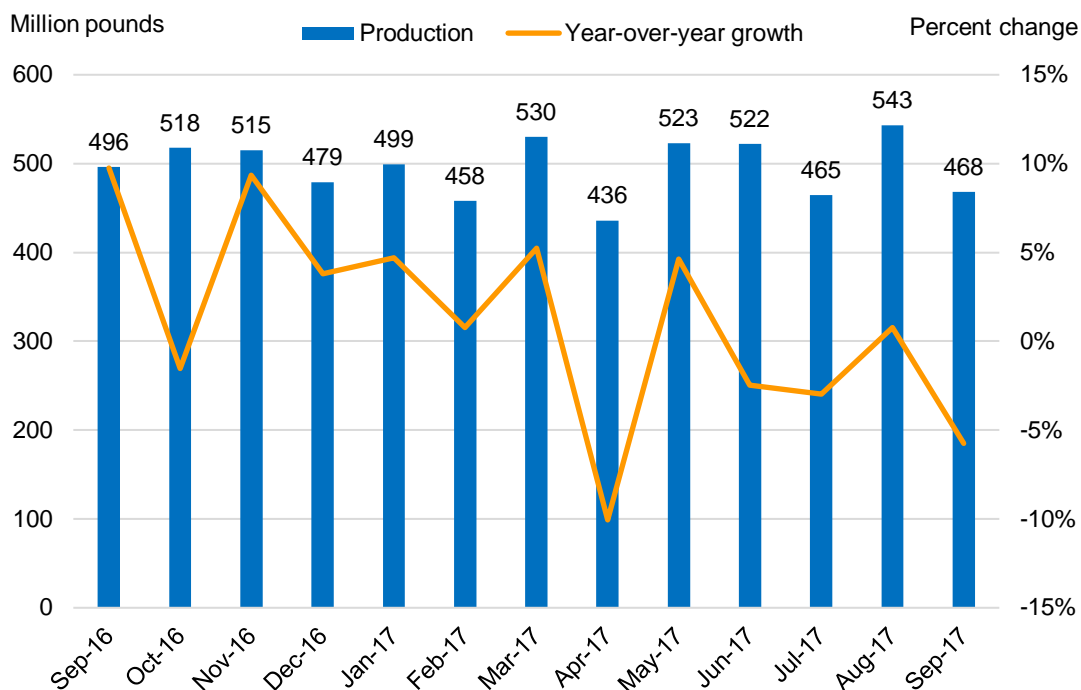
These recently higher prices for processing-grade eggs will likely support higher consumer-grade egg prices. This support is more likely, given the expected strong demand of the holiday season. The fourth-quarter price projection was increased to 120-124 cents per dozen, and the first-quarter 2018 projection was increased to 94-100 cents per dozen.

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Turkey Production Down in September

Turkey production in September totaled 468 million pounds, 6 percent below the same month in 2016, but only 1 percent below on a per day basis due to 1 less slaughter day in September 2017. The decline in September marks 4 of the last 6 months of negative year-over-year growth, signaling a possible slowdown of production as wholesale prices have remained below historical averages. Hatchery reports have been relatively flat compared with a year earlier, suggesting that any growth in early 2018 relative to 2017 will be minimal. Turkey production for 2017 is forecast at 5.997 billion pounds. The 2018 forecast is reduced 115 million pounds to 6.025 billion pounds.

Turkey production and year-over-year growth, September 2016 - Sept. 2017

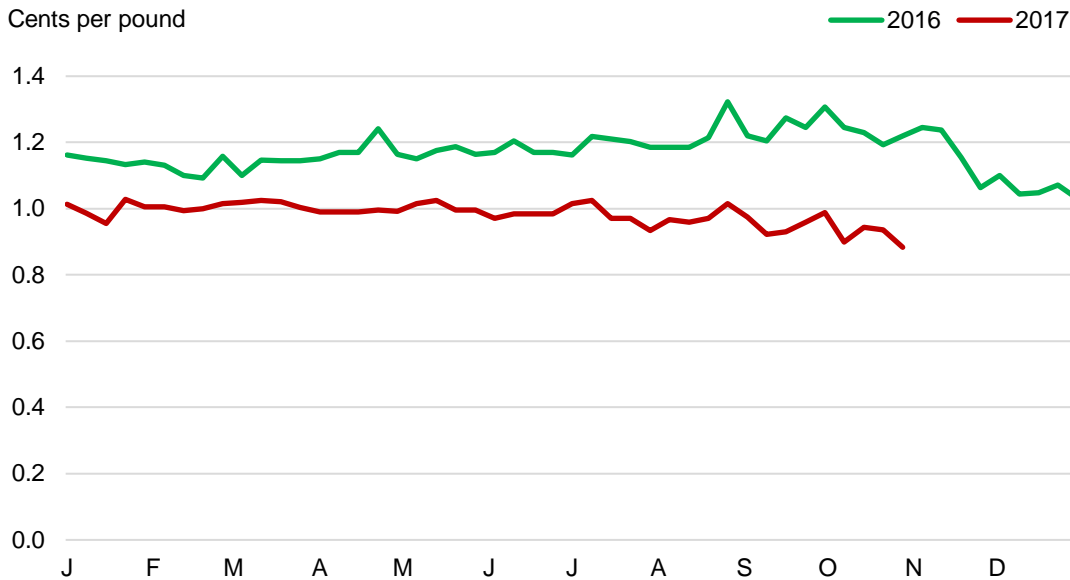


Note: Year-over-year growth displays percentage gain or loss relative to the same month one year earlier.
 Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Whole Turkey Prices Remain Below Historical Averages

Wholesale whole hen frozen turkey prices continue to fall below historical averages and are particularly low for the Thanksgiving season, when prices traditionally reach their annual peaks. The latest price data covering the first week of November shows whole turkey prices at 88 cents per pound, the lowest level this year and the lowest since January 2011. The low wholesale prices have served as an indication that turkey meat demand has not kept pace with recent production. The forecast for fourth-quarter whole hen frozen turkey prices was reduced to \$0.89 to \$0.91, and the 2017 average is expected to be \$0.97, 18-percent below 2016. Price forecasts are lowered for 2018 as well and are expected to average between \$0.96 and \$1.03 for the year.

Wholesale whole hen turkey prices



Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Turkey Exports Increased in September

September turkey exports were 9 percent higher than a year earlier, totaling 61 million pounds. This was the highest total since December of 2014, when HPAI-related trade restrictions began impacting the market. Mexico remains the largest destination for U.S. turkey shipments with 35 million pounds shipped in September, or 58 percent of all U.S. shipments. Total exports for 2017 are expected to reach 618 million pounds, 9-percent more than in 2016. Exports are expected to grow further in 2018 to 650 million pounds, a 5-percent increase over 2017.

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Dairy Forecasts

	2015	2016		2017					2018			
	Annual	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thousands)	9,314	9,344	9,328	9,370	9,398	9,402	9,405	9,395	9,420	9,430	9,445	9,440
Milk per cow (pounds)	22,397	5,620	22,775	5,717	5,886	5,690	5,685	22,975	5,785	5,970	5,765	23,280
Milk production (billion pounds)	208.6	52.5	212.4	53.6	55.3	53.5	53.5	215.8	54.5	56.3	54.5	219.7
Farm use	1.0	0.3	1.0	0.2	0.2	0.3	0.3	1.0	0.2	0.2	0.3	1.0
Milk marketings	207.6	52.3	211.4	53.3	55.1	53.2	53.2	214.8	54.2	56.0	54.2	218.7
Milk-fat (billion pounds milk equiv.)												
Milk marketings	207.6	52.3	211.4	53.3	55.1	53.2	53.2	214.8	54.2	56.0	54.2	218.7
Beginning commercial stocks	10.5	16.0	12.3	12.7	16.2	17.9	16.3	12.7	13.6	16.5	17.9	13.6
Imports	5.8	1.7	7.0	1.5	1.4	1.5	1.6	6.1	1.5	1.5	1.5	6.1
Total supply	223.9	69.9	230.8	67.6	72.7	72.6	71.1	233.6	69.3	74.0	73.6	238.4
Commercial exports	8.5	2.5	8.4	2.1	2.5	2.3	2.3	9.1	2.2	2.5	2.4	9.4
Ending commercial stocks	12.3	12.7	12.7	16.2	17.9	16.3	13.6	13.6	16.5	17.9	15.6	12.4
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	203.0	54.8	209.7	49.3	52.4	54.0	55.2	210.9	50.7	53.6	55.6	216.7
Skim solids (billion pounds milk equiv.)												
Milk marketings	207.6	52.3	211.4	53.3	55.1	53.2	53.2	214.8	54.2	56.0	54.2	218.7
Beginning commercial stocks	9.4	9.7	9.2	9.5	10.6	11.6	12.1	9.5	12.6	12.2	12.3	12.6
Imports	6.0	1.7	6.5	1.7	1.5	1.4	1.5	6.1	1.5	1.5	1.5	6.1
Total supply	223.1	63.7	227.1	64.5	67.1	66.2	66.8	230.4	68.4	69.7	68.0	237.4
Commercial exports	37.3	10.9	39.0	9.8	10.3	9.7	10.2	39.9	10.0	10.6	10.6	41.7
Ending commercial stocks	9.2	9.5	9.5	10.6	11.6	12.1	12.6	12.6	12.2	12.3	11.0	10.7
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	176.6	43.3	178.5	44.2	45.2	44.4	44.1	177.9	46.2	46.8	46.4	185.1
Milk prices (dollars/cwt) ¹												
All milk	17.13	17.80	16.30	18.23	16.83	17.70	17.85	17.65	16.95	16.40	16.70	16.90
							-18.15	-17.75	-17.55	-17.30	-17.70	-17.80
Class III	15.80	16.33	14.87	16.49	15.74	16.13	16.25	16.15	15.35	15.25	15.60	15.50
							-16.55	-16.25	-15.95	-16.15	-16.60	-16.40
Class IV	14.35	14.13	13.77	15.37	14.80	16.36	14.10	15.10	13.70	14.05	14.45	14.15
							-14.50	-15.30	-14.40	-15.05	-15.55	-15.15
Product prices (dollars/pound) ²												
Cheddar cheese	1.645	1.714	1.605	1.648	1.555	1.623	1.700	1.630	1.620	1.605	1.630	1.625
							-1.730	-1.640	-1.680	-1.695	-1.730	-1.715
Dry whey	0.380	0.366	0.288	0.485	0.508	0.434	0.345	0.440	0.315	0.325	0.335	0.325
							-0.365	-0.450	-0.345	-0.355	-0.365	-0.355
Butter	2.067	1.958	2.078	2.200	2.229	2.597	2.295	2.325	2.275	2.260	2.305	2.285
							-2.355	-2.355	-2.365	-2.380	-2.435	-2.405
Nonfat dry milk	0.902	0.931	0.829	0.955	0.874	0.874	0.755	0.860	0.715	0.765	0.795	0.770
							-0.785	-0.880	-0.765	-0.835	-0.865	-0.840

Totals may not add due to rounding.

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

² Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly U.S. Dept. of Agriculture, *National Dairy Products Sales Report*.

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

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