



Economic Research Service

Situation and Outlook

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Dec. 18, 2017

Livestock, Dairy, and Poultry Outlook

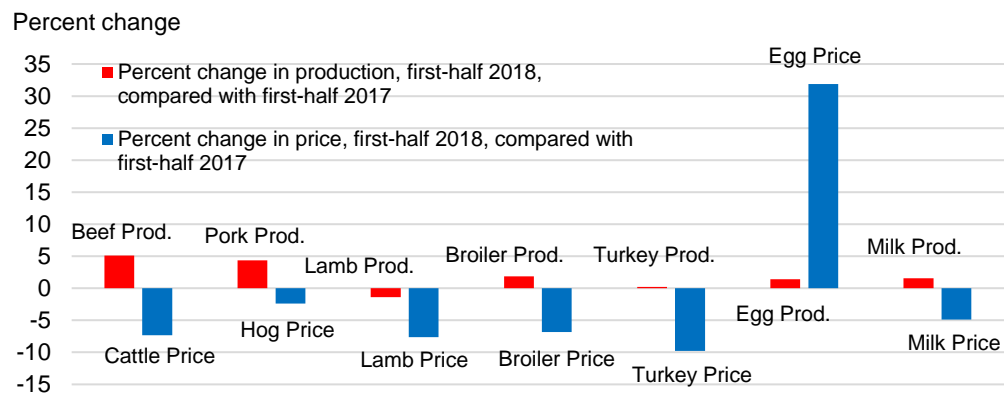
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First-Half 2018 Forecasts for Red Meat, Poultry, Eggs, and Milk Show Mostly Year-Over-Year Production Increases with Lower Prices

The figure below shows percentage changes of USDA production and price forecasts for red meats, poultry, eggs and milk, for the first half of 2018 compared to the first half of 2017. With the exception of lamb and eggs, larger year-over-year product supplies are accompanied by lower prices. For cattle, higher second-half 2017 cattle placements are expected to lead to higher first-half 2018 fed cattle marketings and seasonally higher (+5.1 percent) beef production. First-half 2018 cattle prices are expected to be 7.3 percent below prices in the first-half of 2017. Higher first-half 2018 pork production (+4.3 percent) derives mostly from expected higher second-half 2017 pig crops. Consequently, hog prices are expected to fall 2.4 percent below those in the first half of 2017. For broilers, expected higher producer returns drive relatively small production increases. First-half broiler prices are forecast to decline by 6.8 percent. For turkeys, a modest recovery in domestic demand and exports drives small increases in production (+0.24 percent), but low prices continue to underscore the slow pace of demand recovery relative to supply levels. First-half 2018 turkey prices are expected to fall by 9.8 percent. Milk production in the first half of 2018 is forecast to increase over the first half of 2017 by 1.6 percent. Although milk prices are expected to decline from 2017 to 2018, relatively low feed prices are expected to encourage expansion of the milk cow herd and greater yield per cow, although at a slower rate than forecast last month.

First-half lamb production is forecast lower (-1.4 percent) due to lower expected slaughter volumes, stemming from a smaller 2017 sheep flock. At the same time, 7.7 percent lower lamb prices are the result of continued-large cold storage inventories, relatively high imports, and lower prices of competing meats across the livestock and poultry complex. For eggs, expected first-half 2018 price increases (+17.7 percent) reflect the year-earlier low prices that prevailed due to record-level supplies. Production growth (+0.9 percent) in the first half of 2018 is expected to be moderate as producers continue to recover from margins that were relatively low until recently.

Percent changes in first-half 2018 production and price forecasts, compared with first half 2017



Source: World Agricultural Outlook Board, USDA

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Tables will be released on December 28, 2017

The next Outlook Report release is January 18, 2018

Approved by the World Agricultural Outlook Board.

Cattle/Beef: Cattle on feed inventories remain above year-earlier levels and placements continue to reflect the larger cattle inventory. However, the pace of beef cow and heifer slaughter suggests that the rate of expansion may have slowed during 2017. Prices across the cattle complex appear to have peaked and are under pressure during the fourth quarter. Higher beef exports in each month in 2017 through October resulted in year-to-date export growth of 14.3 percent above the previous year. Beef export forecasts for 2017 and 2018 have been revised upward from the previous-month forecasts based on the current pace of growth and strong global demand.

Dairy: With recent price declines in dairy products and continued high stock levels, the all-milk price for the fourth quarter of 2017 is \$17.75-\$17.95 per cwt, a reduction from last month's forecast of \$17.85-\$18.15. The 2018 all-milk price forecast is \$16.65-\$17.45 per cwt, a reduction from last month's forecast of \$16.90-\$17.80. The 2018 forecast for domestic use on a milk-fat milk-equivalent basis has been lowered to 215.9 billion pounds, 0.8 billion less than last month's forecast. On a skim-solids milk-equivalent basis, the forecast for 2018 commercial use is 183.2 billion pounds, 1.9 billion less than last month's forecast. With lower expected prices, the 2018 milk production forecast has been lowered to 219.3 billion pounds, a reduction from last month's forecast of 219.7 billion pounds.

Pork/Hogs: Packer margins recovered in November, largely due to strong pork product prices. Fourth-quarter commercial pork production is expected to be record-high at almost 6.8 billion pounds, about 2 percent higher than a year ago. For the fourth quarter, pork prices are expected to average \$44-\$45 per cwt, more than 20 percent above a year ago. October pork exports were 495 million pounds, 9.5 percent higher than a year ago. Strong exports are attributable to Mexico, most of Asia, and Colombia.

Sheep/Lamb: Choice slaughter lamb prices at San Angelo, Texas maintained their strength through the first three quarters of 2017, but prices plummeted in October and November. Fourth-quarter 2017 commercial production of lamb and mutton is forecast at 36 million pounds, down 2 percent from the same period in 2016. Lamb and mutton imports for are forecast at record levels at 16 percent above previous-year levels.

Poultry: The broiler market has been stable. Projections for prices were slightly decreased, and year-ending stock projections were increased on recent data. Egg prices have continued to soar, leading to higher price projections for the current quarter and 2018. Hatchery data, indicators for future production, have revealed that producers may expand their flocks. Turkey prices remain below historical averages, indicating that demand is weak relative to current supply levels. Prices next year are expected to average \$0.93-\$1.00 per pound, about 1 percent higher than prices in 2017, while the production forecast is unchanged.

Cattle / Beef

Cattle on Feed Continue To Remain Large

Cattle on feed inventories continue to remain above year-earlier levels and placements continue to reflect the increasing cattle inventory. The number of cattle on feed in feedlots with a capacity of 1,000 head or greater on November 1, 2017 was 6 percent above November 1, 2016, and 5 percent above November 1, 2015. Placements were up 10 percent over October of 2016. Feedlots appear to be moving cattle as they are ready for market. Marketings of fed cattle during October were 6 percent above the same period in 2016. As marketing remained relatively high, the percentage of cattle on feed more than 120 days was below 2016. The November 2017 *Livestock Slaughter* report shows that average dressed weights were 826 pounds, down 17 pounds from October 2016. Carcass weights for both steers and heifers were below year-earlier in October, and preliminary data points to a similar situation in November.

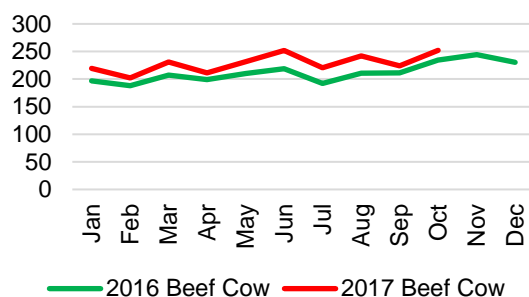
Fourth-quarter 2017 production was lowered from last month due to lighter carcass weight and a slower pace of slaughter through yearend. Average dressed weights for cattle remain well below the same period in 2016. In addition to the lighter carcass weights for both steers and heifers, their composition of the slaughter mix has likely influenced average dressed weights. The proportion of heifers and cows slaughtered relative to total slaughter has increased relative to last year, and heifers and cows are typically smaller and yield lower carcass weight than steers.

Increased Beef Cow and Heifer Slaughter Signal Possible Slowing in Beef Herd Expansion

The beef cow inventory has been in expansion mode since 2015, with inventories on January 1, 2015, 2016, and 2017 increasing at increasing rate of 0.7-percent, 2.9-percent, and 3.5-percent respectively. However the pace of beef cow and heifer slaughter suggests that the rate of expansion may have slowed in 2017. Beef cow slaughter through October 2017 was 11 percent higher than the same period in 2016. Preliminary federally inspected beef cow slaughter in November has also been fairly strong and higher than November last year. Heifer slaughter has also seen a 12-percent increase through October 2017, while steer slaughter has only increased by about 3 percent.

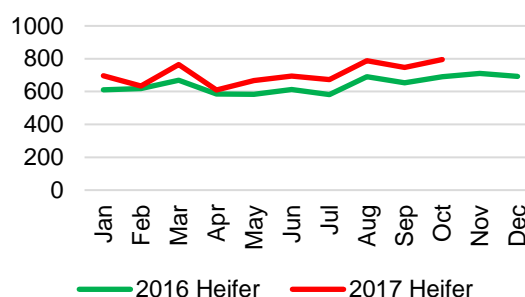
FI Beef Cow Slaughter

Million head



FI Heifer Slaughter

Million head



Source: USDA, Economic Research Service.

Prices Pressured Across the Cattle Complex

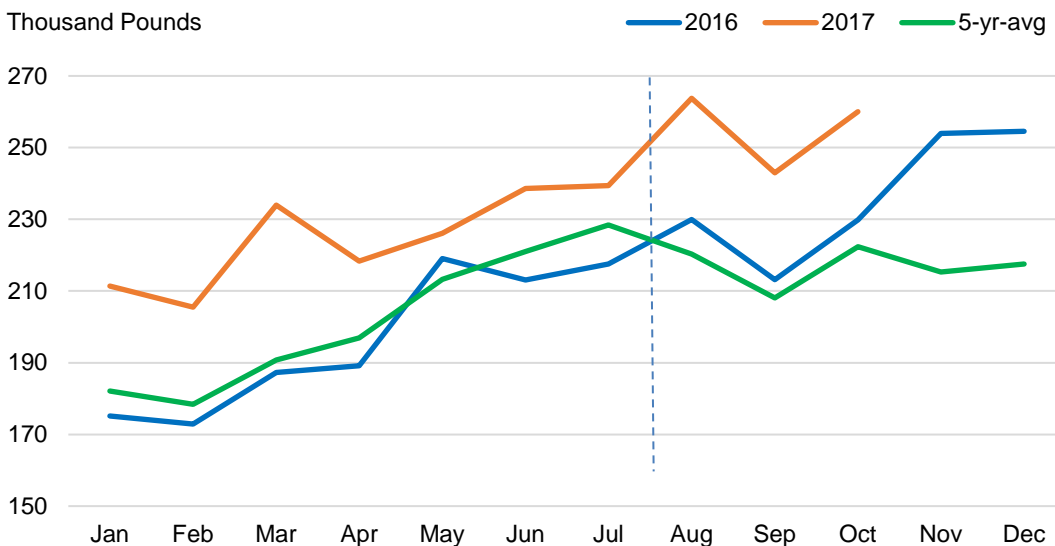
Fed cattle prices edged higher early in the fourth quarter, but the availability of market-ready cattle—and nearby futures prices, which are likely encouraging cattle feeders to remain current in their marketings—have been pressuring cash prices. In addition, wholesale prices appear to be at or near their seasonal peak. The November fed steer

price averaged \$121.37/cwt, but prices in early-December have been trending lower. As a result, the fourth-quarter fed steer price forecast was lowered slightly to \$116-\$119/cwt. Feeder steer prices appear to have followed the pattern of fed steer prices. Prices inched up at the beginning of the fourth quarter but trended lower after mid-November. On these weakening prices, the fourth-quarter feeder cattle price forecast was lowered slightly to \$155-\$159/cwt. Cow prices are seasonally lower during the fourth quarter, but prices have also come under pressure due to the higher-than-year-ago cow slaughter. Commercial cow slaughter, especially of beef cows continues to be relatively heavy so far in the fourth quarter, prompting a lowering of the forecast to \$56-\$58/cwt.

Year-over-Year Higher U.S. Beef Exports in 2017

Year-over-year October 2017 U.S. beef exports were up 13.1 percent (+30 million pounds) to 260 million pounds. Higher U.S. shipments to all five major destinations, Japan (+31.4 percent), Mexico (+16.8 percent), Canada (+14.6 percent), Hong Kong (+14.1 percent), and South Korea (+2.8 percent) during October contributed to the growth. Higher exports in each month in 2017 through October resulted in a year-to-date export increase of 14.3 percent (+293 million pounds) above the previous-year level. Japan alone contributed more than half of that growth. Year-over-year higher U.S. beef shipments to Japan have been continuing even since the Japanese safeguard tariff was raised from 38.5 to 50.0 percent on U.S. frozen beef, starting in August 2017 (see chart below).

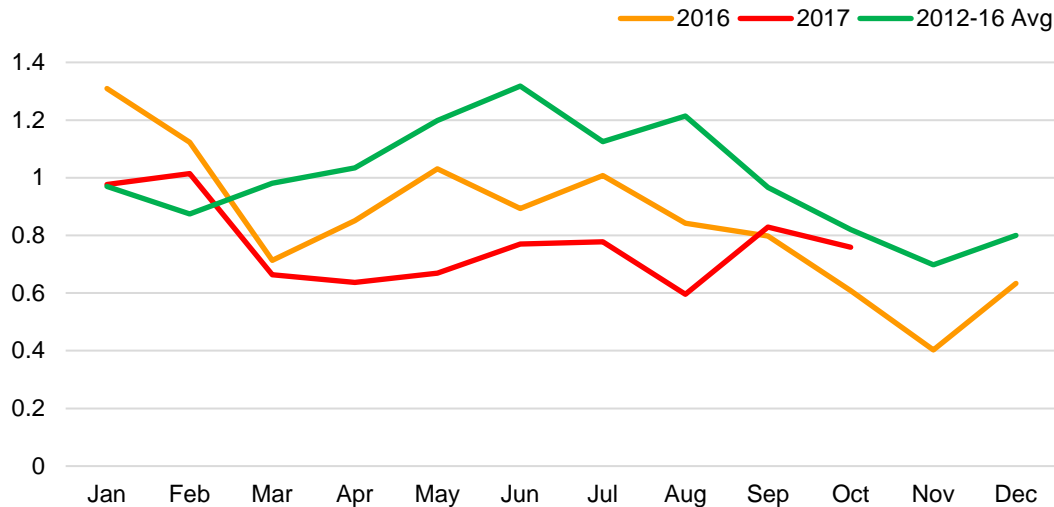
Year-Over-Year U.S. Beef Exports to Japan



Source: USDA, Economic Research Service.

There was keen interest among industry watchers as to what the Japanese safeguard tariff on frozen beef meant for overall U.S. beef exports to Japan. Many felt that if export growth were to be maintained, substitution between fresh/chilled and frozen would occur. The data show that beef export growth to Japan continued to increase well above 2016 levels. Surprisingly, the ratio of frozen to fresh/chilled beef exports to Japan since August has increased, suggesting that a higher proportion of frozen beef is being shipped there than prior to the imposition of the tariff (see chart below).

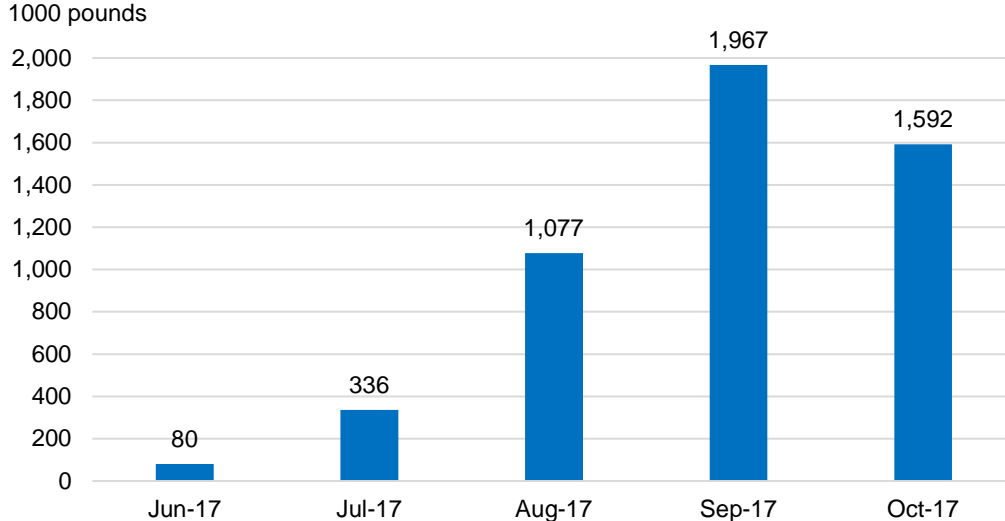
The Ratio of Frozen to Fresh/Chilled U.S. Beef Exports to Japan



Source: Global Trade Atlas.

In addition to increased exports to the top five export destinations, year-to-date October 2017 U.S. exports were also higher to Vietnam (+10.8 million pounds), Philippines (+4.9 million pounds), Chile (+4.8 million pounds), Indonesia (+4.3 million pounds), and China (+5.1 million pounds) from year-earlier levels. China lifted a 14-year ban on U.S. beef entering China in June 2017. In recent months, exports have begun to approach pre-ban levels. (see chart below).

U.S. Beef Exports to China



Source: USDA, Economic Research Service

Based on the continued pace of export growth reflected in the higher FAS Weekly Sales Query report estimates for November 2017 (<https://apps.fas.usda.gov/esrquery/>) and expected strength in exports during December, the U.S. beef forecast for fourth-quarter 2017 has been revised upward by 20 million pounds from the previous month to 795 million pounds. Anticipating the continued current pace of demand for U.S. beef in global markets, U.S. beef export forecasts for first-quarter 2018 have also been revised upward by 15 million pounds to 700 million pounds.

U.S. Beef Imports Up in October 2017

U.S. beef imports in October 2017 increased 9.25 percent (+21 million pounds) from the previous year to 247 million pounds. Among the major suppliers, imports were higher from Australia (+29 million pounds) and Mexico (+2 million pounds) but lower from Canada (-3.9 million pounds), New Zealand (-3.1 million pounds), and Brazil (-4.1 million pounds). This is the fifth consecutive month of higher year-over-year imports. Larger exportable supplies in Australia and increased demand for processing-grade meat in the United States partially explain these imports increases. However, due to lower imports in early 2017, year-to-date October 2017 imports were 1.08 percent lower than in 2016, at 2.573 billion pounds. Forecasts for beef imports are unchanged from last month.

U.S. Cattle Exports Revised Upward

U.S. cattle exports in October 2017 were five times higher than the year-earlier level, to 34,359 head. Higher exports in each month of 2017 through October resulted in U.S. cattle exports that were more than double year-earlier levels, to 132,345 head. The U.S. cattle export forecast for 2017 has been revised upward by 30,000 head to 165,000 head based on stronger exports to Canada in September and October. The U.S. cattle export forecast for 2018 has also been revised upward by 25,000 head to 175,000 head. The forecast for cattle imports remains unchanged from the previous month.

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Recent Developments in Dairy Markets

From the week ending November 4 to the week ending December 9, wholesale prices reported in the USDA *National Dairy Products Sales Report* (NDPSR) declined for all reported products. High stocks have continued to pressure prices lower, especially for products with high skim-solids content. On a milk-fat milk-equivalent basis, October ending stocks were 14.8 billion pounds, 1.1 percent higher than October 2016. October ending stocks on a skim-solids milk-equivalent basis were 11.8 billion pounds, an increase of 22.8 percent over the previous year. Stocks of nonfat dry milk (NDM) have been very high, reaching 328 million pounds at the end of October, a 46.5-percent increase over October 2016.

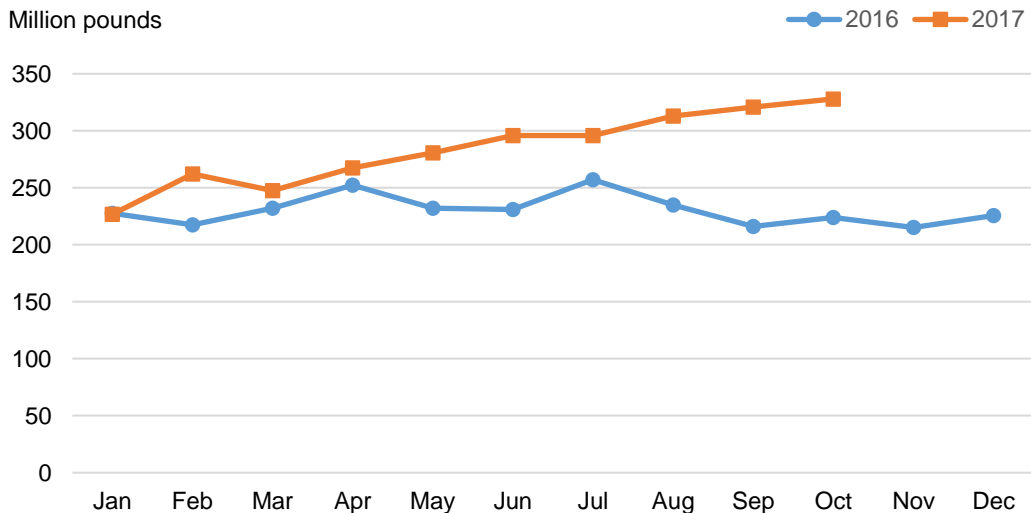
Dairy wholesale product prices (dollars per pound)

	For the week ending		Change
	Nov. 4	Dec. 9	
Butter	2.3328	2.2299	-0.1029
Cheddar cheese			
40-pound blocks	1.7563	1.6547	-0.1016
500-pound barrels ¹	1.7306	1.6644	-0.0662
Nonfat dry milk	0.7663	0.7310	-0.0353
Dry whey	0.3711	0.2909	-0.0802

¹ Adjusted to 38-percent moisture.

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

Manufacturers Stocks of Nonfat Dry Milk



Source: USDA, National Agricultural Statistics Service.

Relatively weak demand has contributed to the increase of stocks on a milk-fat basis and a skim-solids basis. Domestic use on a milk-fat basis for January through October was 174.6 billion pounds, a modest 0.6-percent increase over January through October 2016. On a skim-solids basis, January through October domestic use was 148.8 billion pounds, a

0.3-percent decline from the previous year. Products with declines in domestic use include nonfat dry milk/skim milk powder, other-than-American cheese, dry whey, and whey protein concentrate. Products with increases in domestic use include butter, American-type cheese, and lactose.

Domestic use comparison

Product	Units	Jan-Oct 2016	Jan-Oct 2017	Year-over-year change	Percent change
All products, milk-fat m.e. basis ¹	Bil. pounds	173.5	174.6	1.1	0.6
All products, skim-solids m.e. basis	Bil. pounds	149.3	148.8	-0.5	-0.3
Butter	Mil. pounds	1,478	1,487	9	0.6
Nonfat dry milk/skim milk powder	Mil. pounds	825	782	-43	-5.2
American-type cheese	Mil. pounds	3,842	3,964	122	3.2
Other-than-American cheese	Mil. pounds	5,929	5,902	-27	-0.5
Dry whey	Mil. pounds	473	461	-12	-2.5
Whey protein concentrate	Mil. pounds	191	189	-2	-1.0
Lactose	Mil. pounds	255	276	21	8.2

¹ m.e. = milk equivalent

Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service, Foreign Agricultural Service, and Economic Research Service calculations; and U.S. Dept. of Commerce, Bureau of the Census.

October milk production totaled 17.8 billion pounds, up 1.4 percent from October 2016. Production per cow averaged 1,894 pounds, 12 pounds above October 2016. After peaking at 9.404 million cows in August, milk cows declined by 3,000 head in September and 1,000 head in October. The October estimate of 9.400 million cows is 65,000 head more than October 2016.

Exports on a milk-fat basis were 788 million pounds in October, 91 million more than September and about the same as October 2016. On a skim-solids basis, October exports were 3.504 billion pounds, 414 million more than September but 525 million less than October 2016. Exports of whey products increased considerably from September to October, with much of the exports going to China.

On both a milk-fat basis and a skim-solids basis, October imports exceeded September of this year and October of 2016. October imports on a milk-fat basis were 535 million pounds, 97 million more than September and 17 million more than October 2016. On a skim-solids basis, October imports were 495 million pounds, 113 million more than September and 21 million more than October 2016. Notably, imports of whole milk powder have been higher than usual in recent months, with January through October imports 63.9 percent higher than January through October 2016.

Outlook for Dairy Feed Prices

The 2017/18 price forecast for corn is \$2.85-\$3.55 per pound, unchanged from last month's forecast at the midpoint of the range. The soybean meal price forecast for 2017/18 is \$295-\$335 per short ton, unchanged from last month's forecast. The alfalfa hay price in October was \$152 per short ton, \$3 more than September and \$17 more than October 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

The fourth-quarter 2017 forecast for the size of the dairy herd is unchanged at 9.405 million head. However, the fourth-quarter milk per cow forecast has been lowered to 5,675 pounds based on recent data. These changes result in a milk production forecast of 215.7 billion pounds for the year, 0.1 billion pounds lower than the previous forecast.

The forecast for imports on a milk-fat basis in the fourth quarter has been raised 0.1 billion pounds to 1.7 billion, due to strength in whole milk powder imports. Exports on a milk-fat basis were in line with expectations in October, so the export forecast for the fourth quarter is unchanged at 2.3 billion pounds. Ending stocks on a milk-fat basis for 2017 are forecast at 13.6 billion pounds, the same as previously forecast. The domestic use forecast on a milk-fat basis for 2017 has been lowered slightly to 210.8 billion pounds.

The forecast for imports on a skim-solids basis for the fourth quarter is slightly higher than last month at 1.6 billion pounds. Exports on a skim-solids basis for the fourth quarter are forecast 0.2 billion pounds higher than last month at 10.4 billion pounds, as strength in whey product exports is expected to continue. The ending stock forecast for 2017 on a skim-solids basis is unchanged at 12.6 billion pounds. Annual domestic use is forecast 0.3 billion pounds lower than last month, at 177.6 billion pounds for the year.

Most product prices for fourth-quarter 2017 are forecast slightly lower than last month's forecast, as spot prices for many products have fallen in recent weeks. The fourth-quarter cheddar cheese price is forecast slightly lower at \$1.700-\$1.720 per pound, while the dry whey price forecast is unchanged at \$0.345-\$0.365. The butter price for the fourth quarter is expected lower this month than the previous forecast, at \$2.270-\$2.310 per pound. The fourth-quarter NDM price is also forecast lower, at \$0.750-\$0.770 per pound. With these changes, the fourth quarter Class III forecast has been lowered at the top of the range to \$16.25-\$16.45 per cwt. The Class IV price forecast has been lowered to \$13.95-\$14.25. The all-milk price forecast for the fourth quarter is \$17.75-\$17.95 per cwt, 15 cents lower at the midpoint of the range. The annual all-milk price forecast is \$17.60-\$17.70 per cwt, a reduction from \$17.65-\$17.75 forecast last month.

Dairy Forecasts for 2018

The forecast for the size of the dairy herd in 2018 has been lowered to 9.435 million head, as lower milk prices are expected to lead to slower growth in the second half of the year. Based on recent data and lower expected prices, the milk per cow forecast has been reduced to 23,250 pounds. With these changes, milk production is now projected at 219.3 billion pounds for the year, 0.4 billion pounds lower than previously forecast.

The forecasts for imports and exports on a milk-fat basis for 2018 are unchanged at 6.1 billion pounds and 9.4 billion pounds, respectively. If realized, these forecasts would represent growth of 0.3 billion pounds in exports and no change in imports from 2017. As high stocks persist, ending stocks are now projected 0.4 billion pounds higher than previously forecast, at 12.8 billion pounds for the year. Recent weakness in dairy product prices coupled with high stocks suggest lower domestic demand than previously thought; therefore, the domestic use forecast for the year on a milk-fat basis has been lowered 0.8 billion pounds to 215.9 billion.

The forecast for imports on a skim-solids basis for 2018 remains at 6.1 billion pounds, level with the forecast for 2017. The export forecast for the year on a skim-solids basis has been raised slightly to 41.8 billion pounds, as some of the growth in whey product exports in 2017 should carry over to the following year. As higher stock levels are expected to continue in 2018, the ending stock forecast has been raised 1.3 billion pounds to 12.0 billion. The domestic use forecast on a skim-solids basis has been lowered to 183.2 billion pounds for the year, 1.9 billion pounds less than last month's forecast, as weaker domestic demand is expected.

Product price forecasts have been lowered across the board for 2018. The cheddar cheese price is now forecast at \$1.620-\$1.700 per pound, while the dry whey price is now forecast at \$0.310-\$0.340 per pound for the year. The butter price is forecast at \$2.270-\$2.380 per pound for the year, 2 cents lower at the midpoint of the range than last month, and the NDM price is forecast at \$0.745-\$0.805 per pound for 2018, 3 cents lower at the midpoint of the range. The Class III and Class IV price forecasts for the year are \$15.30-\$16.10 and \$13.90-\$14.80 per cwt, respectively. The all-milk price forecast for 2018 is 30 cents lower at the midpoint of the range than the previous projection, at \$16.65-\$17.45 per cwt.

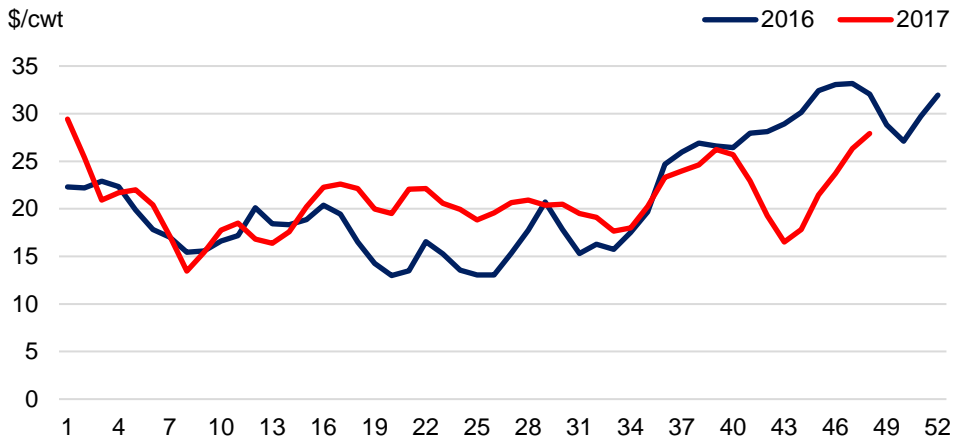
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Pork/Hogs

Packer Gross Margins Rebound in November

Packer margins rebounded in November after sharp declines in October. November margins were driven by strong wholesale demand for pork products and by lower than expected November hog slaughter numbers that likely supported pork product values. Although hog prices averaged higher in November than in October, higher wholesale pork product values offset packers' higher input costs and reversed falling October margins.

Gross packer's spread

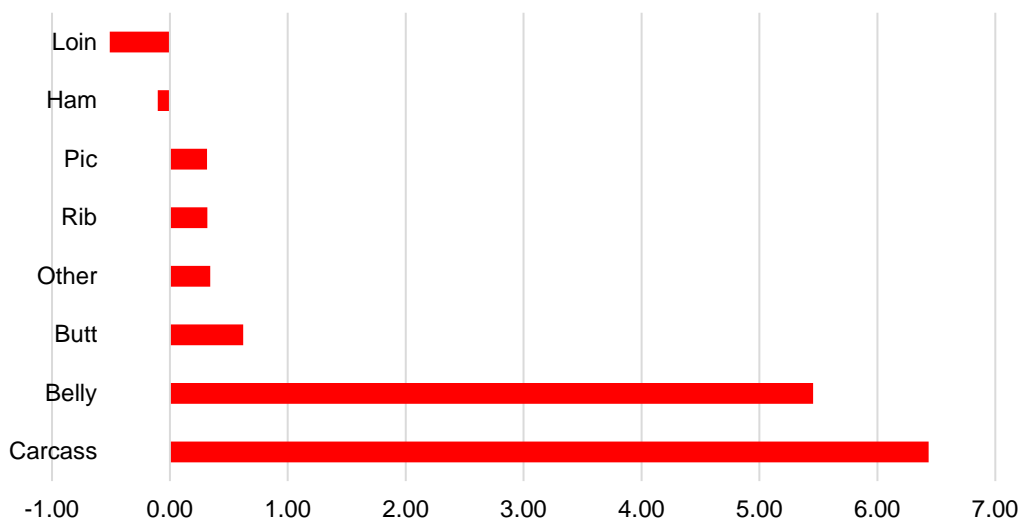


Source: USDA, Economic Research Service and Agricultural Marketing Service.

November's gross packer margin averaged almost \$25 per cwt, more than 21 percent higher than the average per cwt margin in October. Packers' major input cost—hogs—increased in November, compared with October, however. Hog prices—live equivalent 51-52 percent lean—averaged \$46.46 per cwt, more than 6 percent higher than the October average and 35 percent higher than a year earlier. But on the output side of packers' ledgers, the wholesale value of the pork carcass averaged \$81.55 per cwt in November, almost 9 percent higher than the October average. The byproduct drop value in November increased almost 2 percent, as well. So on average, packers paid more for hogs but were more than compensated by higher product values, which translated into wider gross margins for the month of November.

It is notable that most of the October-November average value difference in the wholesale pork carcass cutout is attributable to the belly primal. The figure below shows that while hams, picnics, ribs, butts, and 'other' all contributed to the (positive) difference in the average value—with loins and hams subtracted—the belly primal accounted for more than three-quarters of the October-November difference.

Primal cuts contributions to the Oct.- Nov. difference in average daily wholesale pork carcass values



Source: USDA, Economic Research Service and Agricultural Marketing Service.

Lower than expected November pork production and flat beginning cold stocks likely contributed to higher product values. Estimated federally inspected hog slaughter in November was about 10.5 million head, about equal to last November's slaughter. Average daily hog dressed weights for November—calculated from the National Daily Direct Hog Prior Day Report—were about 1 pound above a year ago, suggesting that hog flows were relatively current through November. Stocks on October 31 were close to historical averages for the month also: at 597 million pounds, cold stocks were slightly below those of a year earlier, but about 3 percent above the 5-year average.

Fourth-quarter pork production is expected to be almost 6.8 billion pounds. Although a reduction of about 200 million pounds from last month's forecast, due mostly to lower than expected November hog slaughter, this production volume would be almost 2 percent above a year ago and record-high for the quarter. Fourth-quarter hog prices are expected to average \$44-\$45 per cwt, more than 20 percent higher than a year ago. These prices are driven by lower than expected fourth-quarter hog slaughter numbers, year-over-year higher packer demand—which increased sharply in September 2017 when two major packing plants opened in Michigan and Iowa—as well as sustained domestic demand for bacon and robust foreign demand for U.S. pork products.

USDA will release the *Quarterly Hogs and Pigs* report on December 22, 2017. The report will provide information on December 1 inventories, as well as on fall pig crop numbers and producer farrowing intentions for the winter and spring pig crops.

Fourth-Quarter Pork Exports On Course for a Strong Finish to 2017

U.S. pork exports in October were 495 million pounds, a volume almost 10 percent higher than a year ago. Strong year-over-year shipments to Mexico, most of Asia, and Colombia drove exports higher in October. The 10 largest foreign buyers of U.S. pork are summarized below.

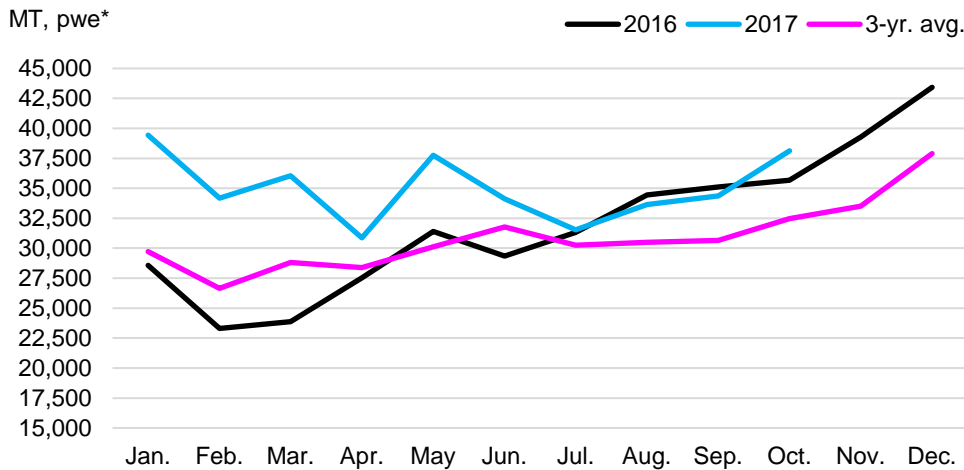
U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, October 2016, 2017

Country	Exports Oct. 2016 (mil. lbs)	Exports Oct. 2017 (mil. lbs)	Percent change (2017/2016)	Export share Oct. 2016 %	Export share Oct. 2017 %
World	452	495	9.5		
1 Mexico	147	158	7.5	32.5	31.9
2 Japan	97	100	3.1	21.5	20.3
3 South Korea	37	47	26.8	8.2	9.5
4 Canada	45	45	1.6	9.9	9.2
5 China/Hong Kong	43	43	1.8	9.4	8.8
6 Colombia	16	26	65.6	3.5	5.3
7 Australia	12	16	32.7	2.7	3.3
8 Chile	8	8	-3.2	1.9	1.6
9 Honduras	6	8	32.3	1.3	1.6
10 Philippines	11	7	-37.1	2.4	1.4

Source: USDA, Economic Research Service.

The fourth quarter often marks the strongest export quarter of the calendar year. If realized, this year's fourth-quarter forecast of 1.5 billion pounds would be record high for any quarter. The forecast depends, to a large extent, on import demand from Mexico. The figure below suggests that exports of bone-in fresh hams—an important component of U.S. exports to Mexico—tends to ramp-up in the fourth quarter. October shipments to Mexico appear to be in line with past late-year expansionary trends.

U.S exports of fresh, bone-in hams to Mexico



Source: Economic Research Service, USDA.

*Product weight equivalent

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Sheep / Lamb

Lamb Prices Fizzle

Choice slaughter lamb prices at San Angelo, Texas maintained their strength through the first three quarters of 2017, but prices have plummeted in October and November. The slaughter lamb price in October was \$127.50 per cwt, with November showing little change at \$127.33 per cwt. Fourth-quarter 2017 prices are forecast at \$126-\$130 per cwt, well below the high for the year. Lamb prices are likely pressured by continued large cold storage inventories and lower prices of competing meats across the livestock and poultry complex.

Fourth-Quarter Lamb Slaughter Forecast Down

Fourth-quarter 2017 commercial production of lamb and mutton is forecast at 36 million pounds, down over 2 percent from the same period in 2016. October commercial production was 11.9 million pounds, and November commercial production was likely about 11 million pounds. December production is expected to reflect the expected holiday bounce. Just over 1.8 million head of sheep were slaughtered in the first 10 months of 2017, about 52,000 head fewer than in the same period in 2016. Through October, about 58,000 fewer lambs and yearlings have been slaughtered in Federal Inspection facilities relative to last year. About 4,000 fewer mature animals were slaughtered as well. Fewer slaughtered sheep and lambs may be a function of the smaller sheep flock as the sheep inventory on January 1, 2017, was 2 percent below that of the previous year. However, fewer mature slaughtered sheep may also suggest less culling among the breeding herd, and fewer lambs and yearlings slaughtered may be a positive sign of herd refreshing and lamb retention. The January 2018 NASS *Sheep and Goat* report will provide a clearer indication of lamb retention.

Lamb and Mutton Imports at Record Levels

In the face of lower domestic production, 2017 lamb and mutton imports are forecast at record levels at 16 percent above previous year levels. The pace of imports has been strong throughout the year. Third-quarter 2017 imports topped 57 million pounds, 39 percent above the same period last year, and October imports remain surprisingly strong at 34 percent above October 2016. Australia's dominance as a U.S lamb and mutton supplier is growing. In October, the country supplied 83 percent of the nearly 19 million pounds of lamb imported by the United States. New Zealand remains the other large supplier while, Chile, Canada, Mexico, Uruguay, and Iceland are minor suppliers. The fourth-quarter 2017 imports are forecast at 56 million pounds, up about 7 percent from the previous year.

Lamb and mutton exports showed a sharp third-quarter increase, totaling nearly 2 million pounds, up 48 percent from the same period last year. October exports totaled 415 thousand pounds. Typically, Mexico's share of exports is more than one-third of all U.S exports, but in October, it was only 12 percent of U.S. total lamb and mutton exports. Fourth-quarter 2017 exports are forecast at 2 million pounds, about the same as 2016.

U.S. Lamb and mutton imports: Australia remains the dominant supplier of imported lamb and mutton

Year/Quarter	Canada	Mexico	Chile	Uruguay	Iceland	Australia	New Zealand
-----Thousand pounds-----							
2016Q1	62.01	0.00	148.75	0.00	1.24	52068.75	15893.68
2016Q2	21.73	0.00	252.78	1.47		41526.68	12928.74
2016Q3	12.93	0.00	225.53	1.39	310.18	29148.22	11158.88
2016Q4	41.54	4.62	97.91	1.75	81.75	39335.44	12584.08
2017Q1	79.42	10.03	109.05	0.00	12.07	59543.89	20173.27
2017Q2	56.59	8.90	757.77	0.00	95.98	38445.11	18425.44
2017Q3	28.38	0.00	1407.34	0.00	362.34	39486.74	16188.28
2017-Oct	6.04	13.78	35.16	1.66	27.53	15648.52	3115.58

Source: U.S. Department of Commerce, Census Bureau, Foreign Agricultural Trade Statistics., compiled by ERS

U.S. Lamb and mutton exports: Exports to Mexico declines in October

Year/Quarter	Canada	Mexico	Costa Rica	Panama	Bermuda	Bahamas	Jamaica
-----Thousand pounds-----							
2016Q1	46	520	50	20	83	89	4
2016Q2	50	357	10	13	97	43	5
2016Q3	63	492	24	11	81	51	7
2016Q4	80	850	39	38	44	81	23
2017Q1	41	758	25	8	25	103	29
2017Q2	68	395	38	27	24	75	69
2017Q3	382	466	7	49	114	46	49
2017-Oct	27	50	15	2	16	18	1

Source: U.S. Department of Commerce, Census Bureau, Foreign Agricultural Trade Statistics., compiled by ERS

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Broiler Market Stable, Absorbing Lots of Product

October broiler meat production was 3.7 billion pounds, about 8.5 percent higher than a year earlier, in part because there was an additional slaughter day. Bird weights were up 1.3 percent above last year, still reflecting the relatively cool Southern summer that supported bird growth, and 6.9 percent more birds were slaughtered. Projected production was not revised for either the fourth quarter or for 2018.

The robust level of broiler production in October drove up the month-ending stocks in cold storage facilities by 49 million pounds from September. Most of the storage increase occurred in the “other” category, distinct from those that include whole birds or whole cuts of either white or dark meat. Projected year-ending stocks were increased to 825 million pounds for 2017 and to 790 million pounds for 2018.

Broiler exports in October were 642 million pounds, about 15 percent above last year. The hefty growth compensated for the previous month’s much weaker export level. Buyers may have taken advantage of lower dark meat prices in October, as prices were down 14 and 7 percent, respectively, for whole legs and leg quarters on a month-over-month basis in the Northeast market. Export growth was strongest to Mexico, Cuba, Taiwan, and South Africa.

Weekly prices for whole broilers (national composite) were stable in November and reached nearly 86 cents per pound for the week ending December 8. The fourth-quarter projection was reduced slightly to 85-86 cents per pound.

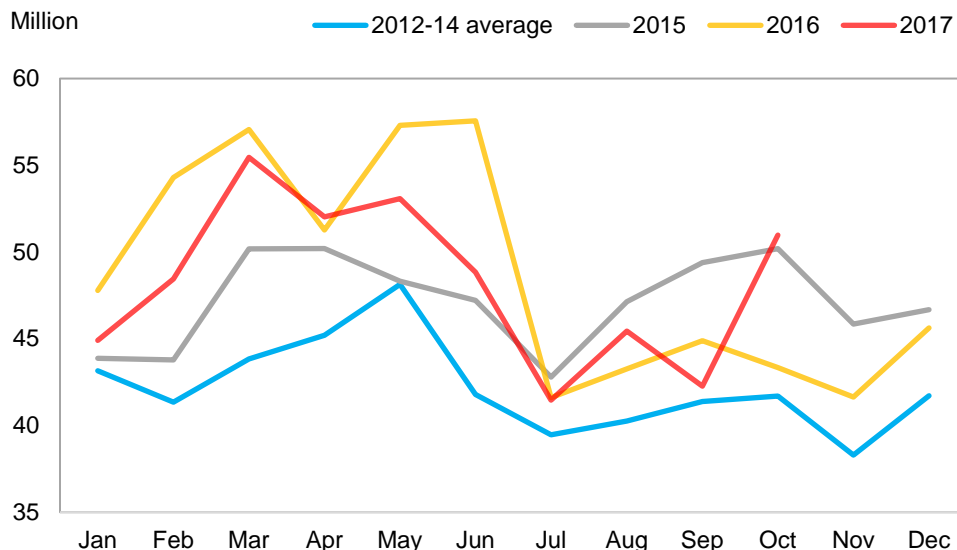
Egg Producers Responding to Higher Margins

Table egg production was 639 million dozen in October, down slightly from last year as a result of fewer eggs per layer over the course of the month. The fourth-quarter projection of egg production was reduced 25 million dozen.

Future production expansion of table eggs has become more likely, however, in line with recently improving incentives that have resulted from higher margins on strong prices. The number of egg-type chicks hatched in October suggested that producers were looking to expand their flocks (see figure); the November hatch is also likely to reveal flock expansion, as indicated by eggs in incubators on the first of the month. Projected 2018 egg production was increased 30 million dozen.

Hatchery data suggest producers may expand their laying flocks

Monthly number of egg-type chicks hatched, 2012- October 2017



Source: ERS calculations from U.S. Dept. of Agriculture, National Agricultural Statistics Service.

Exports of eggs and egg product in October were 30 million dozen (shell-egg equivalent), up 15 percent from last year. Continuing growth in shipments to Asia drove the export growth, with 1.9 million dozen more exports to both Japan and Hong Kong and 0.9 million more to South Korea. Canada was shipped 2.6 million dozen more, while Mexico was down 1.2 million dozen. The 2017 export projection was increased 10 million dozen on higher fourth-quarter expectations.

Egg Prices Relatively High

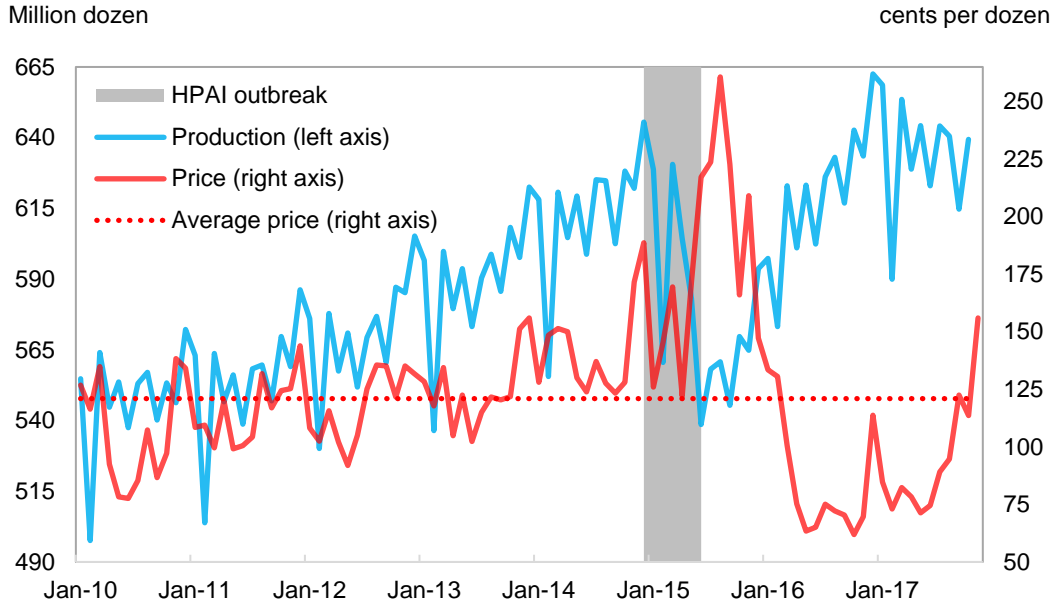
Recent egg prices (large grade A eggs, New York) have reached the highest levels since 2015 in the aftermath of highly pathogenic avian influenza (HPAI). Daily prices peaked at 186 cents per dozen from late November through early December and then declined somewhat during the second week of December. Strong prices may reflect robust market demand since supply levels have been abundant relative to historical levels; projected disappearance per capita for 2017 is nearly 7 percent above the 2010-2014 average. Factors underlying strong demand may include higher seasonal consumption in the current period, evolving health perspectives on eggs, and improving export markets.

A slight decline in fourth-quarter egg production relative to last year may also be supporting higher prices. While current egg supplies are abundant relative to history, they are expected lower than last year for the second half of 2017. This reflects the volatility of the egg market since HPAI eliminated over 10 percent of the table-egg flock in 2015. After the outbreak, surging prices encouraged record production levels, and as supplies swelled, prices fell to their lowest levels since 2006 and production tapered significantly (see figure below). More than a year of very low prices may have brought about additional market demand, but any new demand would have occurred in a market that producers were pulling back from until recently.

Going forward, prices will likely be higher than previously expected, but they should temper as the producer response underway results in more eggs on the market. The fourth-quarter price projection for eggs was increased to 143-146 cents per dozen. The 2018 projection was increased to 100-107 cents per dozen.

Egg market volatile since avian influenza impacts of 2015

Monthly egg production and prices, 2008- November 2017



HPAI = highly pathogenic avian influenza.

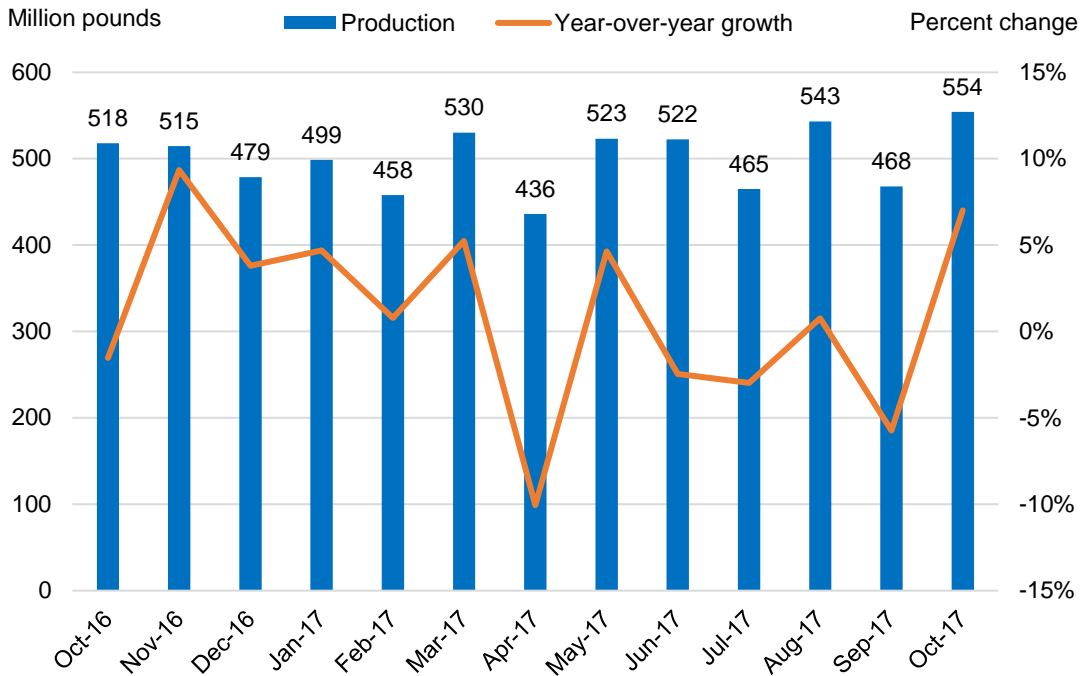
Source: ERS calculations from U.S. Dept. of Agriculture, National Agricultural Statistics Service and Agricultural Marketing Service.

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Turkey Production Down in September

Turkey production in October totaled 554 million pounds, 7 percent above the same month in 2016 but only 2 percent more on a per day basis due to 1 additional slaughter day in October 2017. The increase in October marks a modest turnaround following 5 of the last 6 months of negative year-over-year growth on a per day slaughter basis. With wholesale prices continuing to run below historical averages, the bump in October may simply reflect fresh market demand for the Thanksgiving holiday. Hatchery reports also showed improvement in October, as placements and eggs hatched increased by 3 percent. Eggs in incubators to start in November also increased by 5 percent. This follows relatively flat growth in hatchery data, on average, over the previous 7 months of 2017. The turkey production forecast for 2017 is unchanged at 5.997 billion pounds. The 2018 forecast is 6.025 billion pounds, unchanged from last month.

Turkey production and year-over-year growth, October 2016 - October 2017

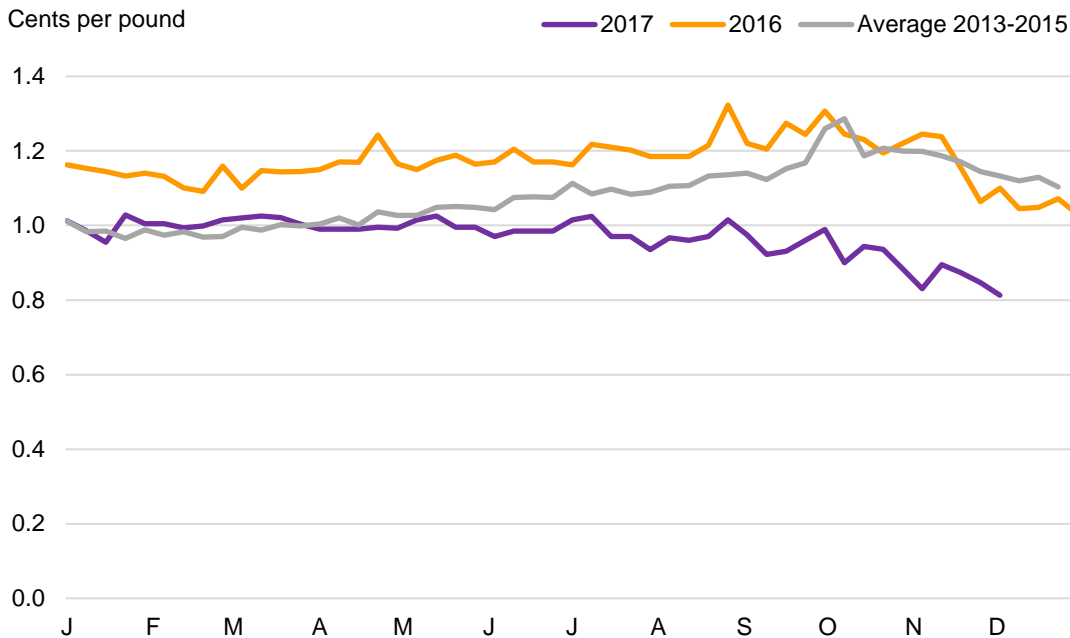


Note: Year-over-year growth displays percentage gain or loss relative to the same month one year earlier.
 Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Whole Turkey Prices Remain Below Historical Averages

Wholesale whole-hen frozen turkey prices continue to fall below historical averages and remained low for the Thanksgiving season, when prices traditionally reach their annual peak. The latest price data covering the second week of December shows whole turkey prices at 81 cents per pound, the lowest level this year and the lowest since May 2010. 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 \$0.86 to \$0.87 per pound, and the 2017 average is expected to be \$0.96 per pound, 18 percent below 2016. Price forecasts are lowered for 2018 as well and are expected to average \$0.93 to \$1.00 per pound for the year, about 1 percent above prices in 2017.

Wholesale whole hen turkey prices



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

Turkey Exports Increased in September

October turkey exports were 23 percent higher than a year earlier, totaling 64 million pounds. Aside from last month's total, this was the highest number for the month since December 2014, when HPAI-related trade restrictions impacted the market. Mexico remains the largest destination for U.S. turkey shipments, with 38 million pounds shipped in September, or 59 percent of all U.S. shipments. Total exports for 2017 are expected to reach 623 million pounds, 9 percent more than in 2016. Exports are expected to grow further in 2018 to 655 million pounds, a 5-percent increase over 2017.

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Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/?page=1&topicId=0&authorId=0&seriesCode=LDPM&sort=CopyrightDate&sortDir=desc>

Animal Production and Marketing Issues, <https://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues/>

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U.S. red meat and poultry forecasts

	2014					2015					2016					2017					2018				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual	
Production, million lb																									
Beef	5,866	6,184	6,179	6,021	24,250	5,665	5,856	6,068	6,109	23,698	5,938	6,187	6,472	6,625	25,221	6,300	6,404	6,731	6,870	26,305	6,430	6,920	7,035	27,590	
Pork	5,784	5,504	5,424	6,131	22,843	6,162	5,925	5,958	6,457	24,501	6,230	5,963	6,100	6,648	24,941	6,409	6,137	6,239	6,775	25,560	6,700	6,390	6,580	26,915	
Lamb and mutton	37	43	38	38	156	38	39	37	37	150	38	39	36	37	150	37	36	35	36	144	35	37	36	145	
Broilers	9,299	9,618	9,835	9,814	38,565	9,718	10,021	10,372	9,937	40,048	10,039	10,253	10,338	10,065	40,695	10,233	10,407	10,551	10,350	41,541	10,400	10,625	10,700	42,275	
Turkeys	1,332	1,428	1,478	1,517	5,756	1,429	1,389	1,352	1,458	5,627	1,435	1,520	1,515	1,511	5,981	1,487	1,481	1,479	1,550	5,997	1,475	1,500	1,500	6,025	
Total red meat & poultry	22,469	22,934	23,111	23,671	92,185	23,157	23,382	23,940	24,150	94,630	23,834	24,118	24,622	25,037	97,612	24,612	24,618	25,191	25,735	100,155	25,191	25,630	26,009	103,571	
Table eggs, mil. doz.	1,794	1,823	1,852	1,896	7,366	1,820	1,726	1,664	1,728	6,938	1,793	1,827	1,876	1,939	7,435	1,902	1,896	1,899	1,925	7,622	1,935	1,910	1,950	7,795	
Per capita disappearance, retail lb 1/																									
Beef	13.1	14.0	13.7	13.4	54.2	13.1	13.6	13.9	13.3	54.0	13.6	13.9	14.1	14.0	55.6	14.0	14.2	14.4	14.4	57	14.0	15.0	14.9	59.1	
Pork	11.2	10.8	11.0	12.8	45.8	12.2	11.8	12.1	13.6	49.8	12.6	11.9	12.1	13.5	50.1	12.4	11.8	12.4	13.4	50.0	12.7	12.4	12.8	52.1	
Lamb and mutton	0.2	0.2	0.2	0.3	0.9	0.2	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.2	1.0	
Broilers	20.3	20.8	21.2	21.1	83.4	21.4	22.1	23.3	22.1	89.0	22.5	22.7	22.7	21.8	89.8	22.4	22.9	23.2	22.4	90.9	22.8	23.1	23.2	91.9	
Turkeys	3.4	3.5	3.9	5.0	15.8	3.5	3.6	3.9	4.9	16.0	3.6	3.9	4.2	4.9	16.6	3.7	3.7	4.0	5.0	16.4	3.9	3.7	4.1	16.6	
Total red meat & poultry	48.6	49.8	50.4	53.0	201.8	50.9	51.8	53.8	54.6	211.1	52.9	53.0	53.7	54.9	214.6	53.2	53.2	54.6	55.8	216.9	54.1	54.8	55.6	222.2	
Eggs, number	65.6	66.2	67.2	68.5	267.5	65.7	62.9	61.9	65.7	256.3	67.5	67.4	68.8	71.0	274.7	68.5	68.2	68.4	68.6	273.7	69.3	68.3	69.9	279.1	
Market prices																									
Choice steers, 5-area Direct, \$/cwt	146.34	147.82	158.49	165.60	154.56	162.43	158.11	144.22	127.71	148.12	134.81	127.68	113.26	107.69	120.86	122.96	132.76	112.46	116-119	121.42	117-123	112-122	110-120	113-122	
Feeder steers, Ok City, \$/cwt	168.49	188.64	220.90	234.25	203.07	210.31	219.65	208.11	173.59	202.92	155.83	146.49	140.66	128.30	142.82	129.56	147.75	148.12	154-157	145.23	145-151	143-153	136-146	140-149	
Cutter Cows, National L.E., \$/cwt	89.12	98.57	111.27	109.21	102.04	107.61	109.50	103.34	77.80	99.56	73.50	75.87	73.16	57.75	70.07	62.63	69.65	69.78	56-59	64.87	60-66	57-67	58-68	58-67	
Choice slaughter lambs, San Angelo, \$/cwt	166.69	148.99	156.02	162.69	158.60	147.17	140.09	146.23	142.52	144.00	133.33	136.15	137.52	131.88	134.72	138.91	153.46	141.29	126-129	140.29	132-138	130-140	133-143	131-140	
Nat'l base cost, 51-52 % lean, live equivalent, \$/cwt	68.69	85.40	83.30	66.74	76.03	48.47	53.20	54.59	44.66	50.23	44.63	53.71	49.26	37.02	46.16	49.73	51.70	55.59	44-45	50.38	47-49	49-53	47-51	46-49	
Broilers, national composite, cents/lb	98.40	113.70	104.60	102.80	104.90	97.00	104.20	83.70	77.20	90.50	84.60	93.00	81.7	78.00	84.30	88.50	104.70	94.9	85-86	93.4	88-92	86-94	84-92	85-92	
Turkeys, national, cents/lb	100.70	105.60	110.20	113.90	107.60	99.60	108.50	126.40	130.10	116.20	114.70	116.50	120.70	116.60	117.10	100.40	99.10	96.9	86-87	95.7	83-87	91-99	96-104	93-100	
Eggs, New York, cents/doz.	142.70	134.60	129.30	162.70	142.30	146.90	170.30	235.70	174.10	181.80	121.50	67.90	71.60	81.70	85.70	80.00	74.70	102.1	143-146	100.3	106-112	91-99	96-104	100-107	
U.S. trade, million lb, carcass wt. equivalent																									
Beef & veal exports	583	667	680	644	2,574	523	607	542	595	2,267	535	621	661	738	2,556	651	683	746	795	2,875	700	730	775	2,985	
Beef & veal imports	597	767	765	818	2,947	878	990	890	613	3,371	793	831	751	639	3,015	699	813	814	640	2,966	720	810	820	3,030	
Lamb and mutton imports	46	49	45	55	195	53	56	46	59	214	68	55	41	52	216	80	58	57	56	251	77	57	49	242	
Pork exports	1,399	1,342	1,146	1,205	5,092	1,224	1,339	1,173	1,274	5,010	1,229	1,318	1,235	1,457	5,239	1,432	1,426	1,230	1,500	5,888	1,475	1,425	1,350	5,900	
Pork imports	213	241	257	301	1,011	279	266	270	300	1,116	293	257	266	275	1,091	264	281	283	285	1,113	260	240	250	1,000	
Broiler exports	1,827	1,833	1,858	1,779	7,297	1,624	1,713	1,487	1,496	6,321	1,585	1,605	1,734	1,720	6,644	1,711	1,618	1,664	1,720	6,713	1,700	1,720	1,760	6,910	
Turkey exports	159	182	215	219	775	148	123	125	132	529	116	141	160	153	569	133	148	167	175	623	150	155	170	655	
Live swine imports (thousand head)	1,195	1,216	1,264	1,272	4,947	1,309	1,541	1,371	1,519	5,740	1,468	1,406	1,371	1,412	5,656	1,449	1,458	1,298	1,425	5,630	1,450	1,450	1,350	5,700	

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 12/14/2017

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	9,403	9,405	9,395	9,420	9,430	9,435	9,435
Milk per cow (pounds)	22,397	5,620	22,775	5,717	5,886	5,688	5,675	22,965	5,780	5,965	5,755	23,250
Milk production (billion pounds)	208.6	52.5	212.4	53.6	55.3	53.5	53.4	215.7	54.4	56.2	54.3	219.3
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	53.1	214.7	54.2	56.0	54.0	218.3
Milk-fat (billion pounds milk equiv.)												
Milk marketings	207.6	52.3	211.4	53.3	55.1	53.2	53.1	214.7	54.2	56.0	54.0	218.3
Beginning commercial stocks	10.5	16.0	12.3	12.7	16.2	17.9	16.3	12.7	13.6	17.0	18.5	13.6
Imports	5.8	1.7	7.0	1.5	1.4	1.5	1.7	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	74.5	74.1	238.0
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	17.0	18.5	16.0	12.8
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	210.8	50.1	53.5	55.7	215.9
Skim solids (billion pounds milk equiv.)												
Milk marketings	207.6	52.3	211.4	53.3	55.1	53.2	53.1	214.7	54.2	56.0	54.0	218.3
Beginning commercial stocks	9.4	9.7	9.2	9.5	10.6	11.6	12.1	9.5	12.6	12.7	12.7	12.6
Imports	6.0	1.7	6.5	1.7	1.5	1.4	1.6	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	68.3	70.2	68.2	237.0
Commercial exports	37.3	10.9	39.0	9.8	10.3	9.7	10.4	40.1	10.0	10.6	10.6	41.8
Ending commercial stocks	9.2	9.5	9.5	10.6	11.6	12.1	12.6	12.6	12.7	12.7	11.8	12.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	176.6	43.3	178.5	44.2	45.2	44.4	43.8	177.6	45.6	46.9	45.9	183.2
Milk prices (dollars/cwt) ¹												
All milk	17.13	17.80	16.30	18.23	16.83	17.70	17.75	17.60	16.50	16.20	16.40	16.65
							-17.95	-17.70	-17.00	-17.00	-17.40	-17.45
Class III	15.80	16.33	14.87	16.49	15.74	16.13	16.25	16.15	15.05	15.20	15.30	15.30
							-16.45	-16.25	-15.55	-16.00	-16.30	-16.10
Class IV	14.35	14.13	13.77	15.37	14.80	16.36	13.95	15.05	13.25	13.75	14.15	13.90
							-14.25	-15.25	-13.85	-14.65	-15.25	-14.80
Product prices (dollars/pound) ²												
Cheddar cheese	1.645	1.714	1.605	1.648	1.555	1.623	1.700	1.630	1.595	1.610	1.620	1.620
							-1.720	-1.640	-1.645	-1.690	-1.720	-1.700
Dry whey	0.380	0.366	0.288	0.485	0.508	0.434	0.345	0.440	0.305	0.305	0.305	0.310
							-0.365	-0.450	-0.335	-0.335	-0.335	-0.340
Butter	2.067	1.958	2.078	2.200	2.229	2.597	2.270	2.315	2.215	2.265	2.295	2.270
							-2.310	-2.345	-2.295	-2.375	-2.425	-2.380
Nonfat dry milk	0.902	0.931	0.829	0.955	0.874	0.874	0.750	0.855	0.700	0.730	0.765	0.745
							-0.770	-0.875	-0.740	-0.790	-0.835	-0.805

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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