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Livestock, Dairy, and Poultry Outlook

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Steers and Lower Corn Prices Boost Cattle Dressed Weights

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The next newsletter release is Nov. 17, 2014

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Despite recent and current positive cattle feeding margins, increases in feeder cattle prices are offsetting declines in corn prices, signaling continuation of positive margins. Despite record retail beef prices, meatpackers are caught between high fed cattle prices and cutout values too low to generate positive packer margins.

Beef/Cattle Trade: U.S. cattle imports are up 13 percent this year as high U.S. cattle prices continue to draw animals across the border. U.S. beef imports continue to grow and were up 46 percent in August from a year earlier. Demand for U.S. beef exports slowed somewhat this summer but remain strong to Hong Kong and Mexico, both showing strong gains from last year.

Recent Livestock, Dairy and Poultry Special Articles

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

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

“U.S. Pork Production Rises on a Smaller Base of Breeding Animals,” pdf pages 16-19 of the April 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

“Implications of the Trans-Pacific Partnership for Meat, Poultry, and Seafood Trade,” pdf pages 20-24 of the April 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1077557/ldpm226.pdf>)

Pork/Hogs: The September Quarterly Hogs and Pigs report showed continued effects of PEDv (Porcine Epidemic Diarrhea) in lower inventories of market hogs. At the same time, the report indicated nascent signs of recovery and expansion. Fourth-quarter hog prices are expected to average \$72-\$74 per cwt, almost 20 percent above a year ago. Prices next year are expected to average \$63-\$68 per cwt, more than 15 percent below 2014 but almost 3 percent greater than the average in 2013. August pork exports were more than 13 percent lower than a year ago, due largely to reduced shipments to several important Asian markets.

Poultry: U.S. broiler meat production in August totaled 3.2 billion pounds, 3 percent lower than the previous year. The decline was attributed to a fall in the number of birds slaughtered. The broiler meat production forecast for 2015 was increased by 60 million pounds to 39.6 billion pounds. U.S. turkey meat production in August 2014 was 484 million pounds, down only 0.2 percent from a year earlier. Given the higher than expected turkey meat production in August, the production estimate for third-quarter 2014 was increased by 5 million pounds to 1.47 billion, 2.1 percent higher than the previous year. Table egg production has had positive growth throughout the first 8 months of 2014. This trend is expected to continue through the remainder of the third quarter and into the fourth quarter, leading to a 40-million-dozen increase in the production forecast for the second half of 2014. The production forecast for 2015 was increased by 80 million dozen, raising the total to 7.3 billion dozen.

Poultry Trade: Turkey shipments in August were up from a year ago, while broiler and egg and egg product exports were down. Broiler shipments totaled 612.8 million pounds in August 2014, a decrease of 2.7 percent from a year earlier. Egg shipments decreased 4.6 percent from a year ago, totaling 31.2 million dozen, while turkey exports totaled 76.4 million pounds in August 2014, a 15-percent increase from the previous August.

Dairy: Although milk and dairy product prices are forecast to soften next year, lower feed prices this year and in 2015—along with continued strong demand, especially domestically—will maintain producer profitability into next year. Dairy herd numbers and milk production per cow are forecast to continue milk production expansion into 2015.

Steers and Lower Corn Prices Boost Dressed Weights

The abundant corn crop is exerting downward pressure on corn prices and has provided livestock feeders recent profit opportunities some have not experienced in several years. For cattle feeders, lower corn prices permit longer feeding periods. Longer feeding periods are attractive to cattle feeders for several reasons related to lower costs and increased marketing options. Hay supplies are also looking ample for winter feeding needs, improving prospects for retaining both breeding cows and replacement heifers through the winter. Despite lower and declining corn prices, feeder cattle prices that are in the \$220-plus per cwt range, and generally increasing, are pushing future breakeven costs for Southern Plains fed cattle toward the \$170-per cwt level (High Plains Cattle Feeding Simulator, <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx>).

Weather conditions for most of cattle country have been favorable, with improving pasture conditions increasing the potential for the expansion of cow calf production. Declining cow slaughter may be the first sign of herd expansion, although, expansion may not be very pronounced in 2014. The next few years will likely be characterized by an upward tick as cow numbers are rebuilt.

Further, dressed weights have increased dramatically year over year, largely due to both increased feeding periods and an increased proportion of steers in the slaughter mix. The increased feeding periods are, in part, a result of lower corn prices, which make it feasible for cattle feeders to feed cattle longer, extending the ability of cattle feeders to hold out for higher prices against packers' lower bids. The increasing proportion of steers in the slaughter mix is a result of both declining cow slaughter and declining placements of heifers in feedlots as producers move toward rebuilding the aggregate cow inventory. Further, the proportion of steers in the slaughter mix is increasing despite declines in year-over-year steer slaughter.

While retail beef prices continue to set new record highs, meatpackers are experiencing seasonally negative margins. Current retail beef prices are providing some support for the relatively lower pork and poultry prices. At the same time, pork and poultry supplies are abundant enough to exert downward pressure on pork and poultry prices, partially offsetting the upward pressure from higher beef prices. Further, the higher beef prices appear to be dampening consumer enthusiasm for beef and retailer enthusiasm for providing beef specials.

Cattle Imports Up 13 Percent Through August

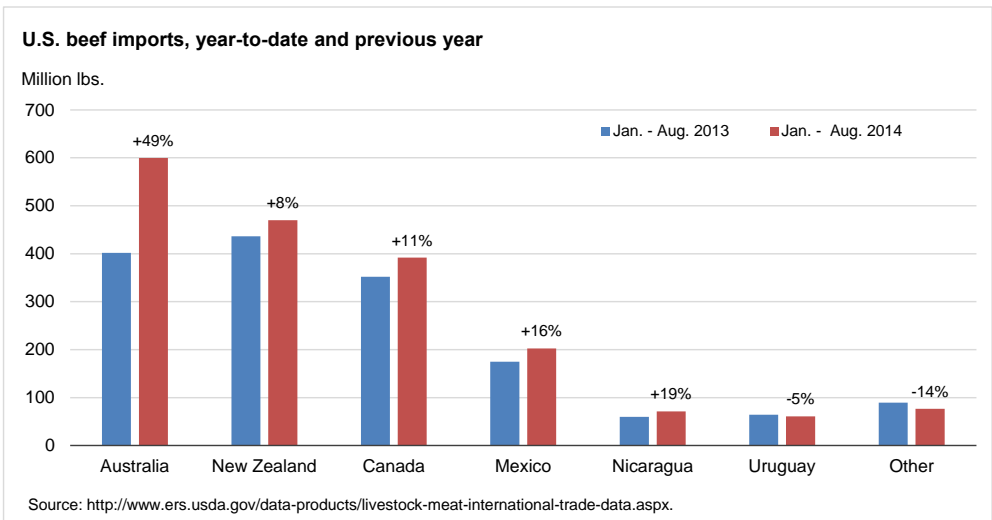
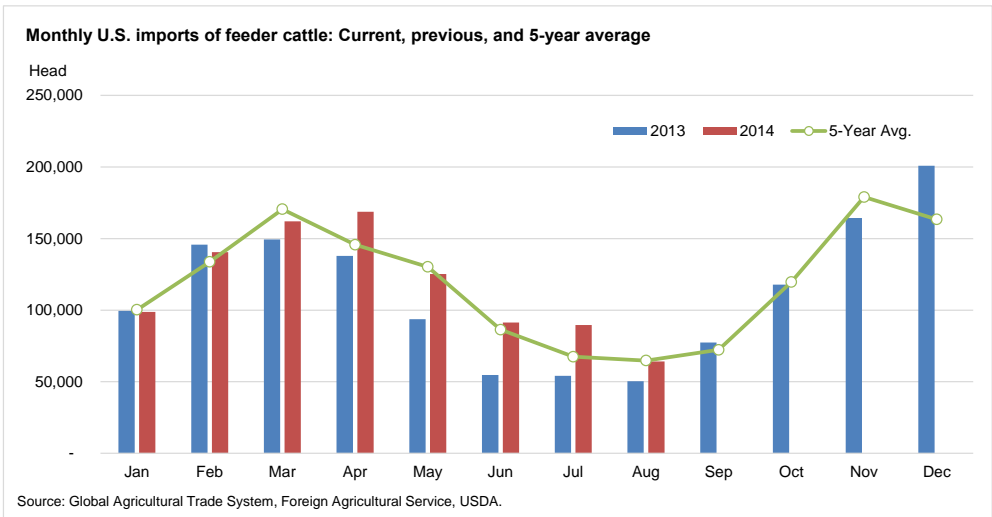
U.S. cattle imports have increased from both Canada and Mexico this year, totaling 1.413 million head through August. Imports are up 14 percent from Mexico and 12 percent from Canada due to stronger demand for feeder cattle. The average price for Nebraska feeder steers (7-8 cwt.) was \$205.57 during the first three quarters of 2014, compared with \$149.45 during the first three quarters of 2013. Diminished domestic cattle supplies have led to price growth and a 35-percent increase in feeder cattle imports from Canada and a 14-percent increase from Mexico. Imports of feeder cattle follow a strong seasonal pattern, rising during the fall and spring due to diminished grazing conditions (see figure). Imports this summer, typically the slowest season, were well above last year's levels, and AMS weekly data through the end of September also show stronger shipments than in 2013. The forecast for U.S. cattle imports was raised to 2.200 million head in 2014 and 2.225 million head in 2015. Despite lower cattle inventories in both Canada and Mexico, strong prices for U.S. cattle are expected to pull cattle across the border.

Beef Imports Continue a Strong Run

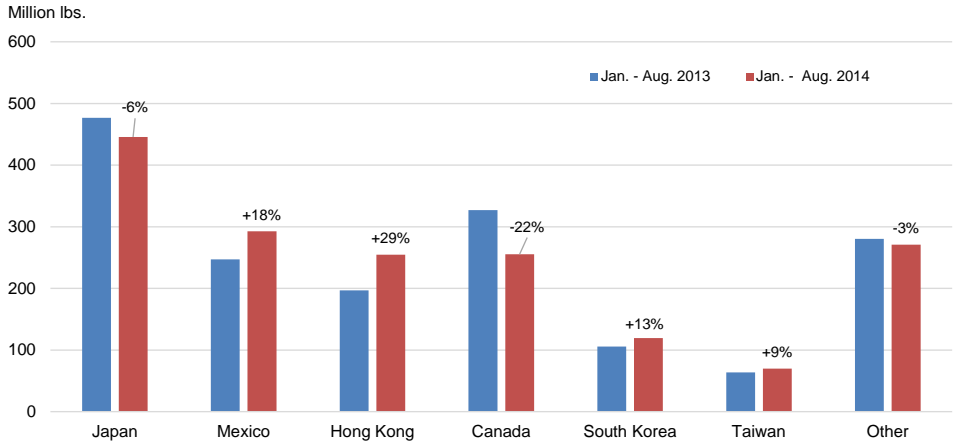
U.S. beef imports totaled 1.873 billion pounds through August 2014, up 19 percent from a year earlier. Imports have risen nearly 50 percent from Australia, accounting for about two-thirds of the increase in import volume this year. Imports have also risen from New Zealand, Canada, and Mexico (see figure) due to lower domestic supplies of lean beef. Weekly federally-inspected cow and bull slaughter was down 13 percent through September 27, 2014, from the same period last year. In contrast, Australian beef production was up 10 percent through August as drought conditions continue in Australia's cattle producing regions. Slaughter in Australia has continued at a record pace this year due to poor pasture conditions. The surge in beef production has led to a 17-percent increase in Australian exports, with most of the increase going to the United States. U.S. imports have also been stronger from Canada as high U.S. prices and a favorable exchange rate increase returns for Canadian sellers. The forecast for U.S. beef imports in 2014 is 2.684 billion pounds, 19 percent higher than in 2013. Import demand is expected to remain strong in 2015 and is forecast to increase fractionally to 2.700 billion pounds. Despite lower production in many countries that supply the United States, high U.S. beef prices, coupled with expectations of a stronger U.S. dollar, support higher imports.

U.S. beef exports are up 1 percent this year through August as growth in trade to Mexico and a number of Asian markets has offset smaller shipments to Canada and Japan (see figure). After a strong start to the year, exports weakened during the third quarter. The forecast for U.S. beef exports in 2014 was lowered 20 million pounds to 2.600 billion pounds, nearly unchanged from last year. Lower beef production and robust domestic demand have caused prices to strengthen over the past year. The average value of boxed beef was 20 percent higher than the same period last year through July 2014. Despite higher prices, exports remain strong to many major U.S. markets. Shipments rose by the greatest volume to Hong Kong (+58.0 million pounds), followed by Mexico (+45.5 million pounds) and South Korea (+38.4 million pounds). Japan remains the top market for U.S. beef despite a 6-percent decline in volume. Japanese imports of beef from all countries are down 6 percent this year, as sluggish economic conditions and a sales tax increase have weakened

demand. Canada has been another weak market for the United States, with both higher prices and a weaker Canadian dollar dampening demand. Total exports are forecast to fall 3 percent next year to 2.525 billion pounds. While demand is expected to hold in several key U.S. markets, lower U.S. production and high prices will limit growth in U.S. exports.



U.S. beef exports, year-to-date and previous year



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

Quarterly Hogs and Pigs Report Shows PEDv Effects as well as Signs of Recovery and Expansion

The Quarterly Hogs and Pigs report issued by USDA on September 26 reported, at the same time, continuing effects of Porcine Epidemic Diarrhea (PEDv) damage to hog numbers and signs of industry recovery and expansion. The September 1 inventory of market hogs was 2.7 percent lower than a year ago, reflecting PEDv losses sustained in the spring and summer pig crops. The September 1 inventory of breeding animals, on the other hand, was almost 2 percent higher than a year ago, the sharpest increase in the herd since December 2007.

The litter rate reported for the summer pig crop—10.16 pigs per litter—was 1.65 percent lower than a year ago, indicating continued PEDv losses. The year-over-year reduction in the summer litter rate was, however, much less than litter rate reductions sustained in the winter and spring pig crops: the 2014 winter pigs per litter was 5.5 percent below a year earlier, and the spring pigs per litter was 5.1 percent below a year earlier. Improvement in summer litter rates is likely attributable to tighter on-farm biosecurity measures and to the warmer, dryer summer climate, which is less hospitable to the PED virus.

Producers' farrowing intentions reported in the September report are an additional indication that the U.S. pork production industry may be adjusting to PEDv. In the report, producers stated intentions to farrow almost 4 percent more female animals in both the fall and winter quarters. Producers are likely responding to both hog prices that remain significantly higher than a year ago and significantly lower feed costs brought about by abundant U.S. supplies of corn and soybeans.

PEDv remains a source of risk as the industry moves into the fall and winter months. The humid production environments that arise when barns must be closed to protect animals from low temperatures are conditions under which the PEDv virus is known to propagate and thrive. Whether new and more stringent biosecurity measures, rapidly adopted by the industry since PEDv's onset, along with 2 new conditionally licensed PEDv vaccines, can significantly reduce the incidence of the virus this winter remains a source of industry production and price uncertainty.

Lower Fourth-Quarter Pork Production Likely, But Higher Production Anticipated in 2015

Fourth-quarter commercial pork production is expected to be year-over-year lower, deriving as it does from lower pig crops. But as has been the story for most of 2014, higher average dressed weights will help to offset lower fourth-quarter slaughter numbers. Pork production is expected to be about 6 billion pounds, almost 4 percent below a year earlier. For 2014, total pork production is expected to be 22.8 billion pounds, about 1.8 percent below production in 2013.

The higher inventory of breeding animals, along with strong producer farrowing intentions, improving litter rates, and slightly higher expected dressed weights, all point to higher pork production next year. USDA is forecasting 2015 commercial

pork production at 23.9 billion pounds, more than 5 percent above production this year.

Average prices of live equivalent 51-52 percent lean hogs are expected to be \$72-\$74 in the fourth quarter of this year. Prices next year will likely average \$63-\$68, more than 15 percent below 2014. While 2015 hog prices are likely to be lower than prices this year, lower feed costs and strong demand from both domestic and foreign pork consumers will likely keep the spread between hog prices and feed costs in the black. U.S. consumers, in particular, will likely continue to increase demand for pork as a substitute for exceptionally high-priced beef products.

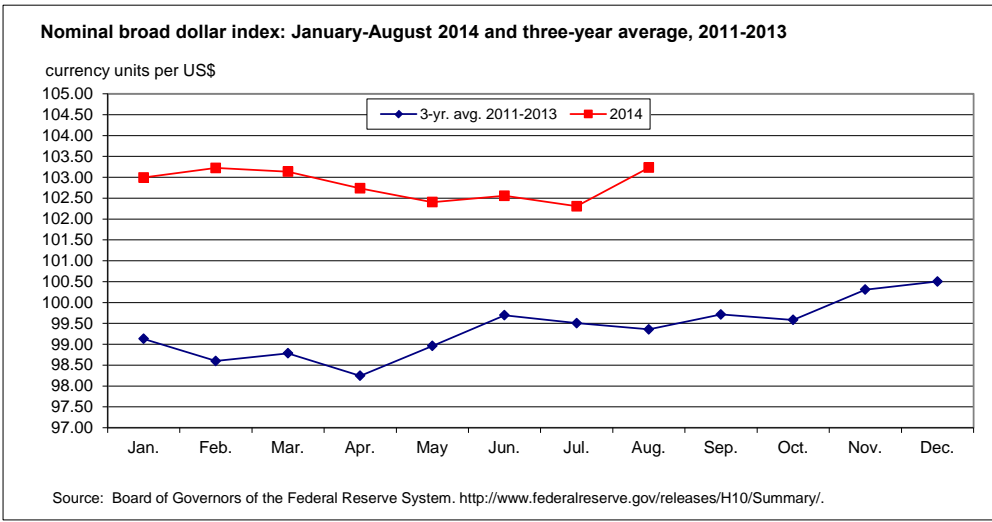
August Exports Lower, Likely Due to High U.S. Prices and High-Valued U.S. Dollar

U.S. pork exports in August were 351 million pounds, more than 13 percent below a year ago. While shipments to Mexico continue to soar—for the fifth time this year, Mexico was the largest foreign destination of U.S. pork—exports to Japan, Canada, and China were lower than a year ago. While each foreign market has its particular set of supply and demand dynamics, factors that may explain lower foreign demand for U.S. pork products in August include high U.S. summer pork prices due to PEDv-reduced supplies (table 1) and the high foreign exchange value of the U.S. dollar in currencies of major U.S. trading partners. (fig. 1).

Average wholesale prices of selected pork cuts, June-Aug. 2014 and 2013

Cut	June-Aug. 2014	June-Aug. 2013	Percent change (2014 /2013)
	\$/cwt	\$/cwt	
Pork carcass cutout	124.25	100.74	23.3
Loin (1/4" trim)	157.35	132.20	19.0
Trim (72% combo)	129.74	85.00	52.6
Hams (23-27 lb. selected)	126.48	84.00	50.6
Picnic (smoker trim)	118.48	87.29	35.7
Butt (1/4" trim)	166.23	113.97	45.9

Source: <http://mpr.datamart.ams.usda.gov/>.



For 2014, total U.S. pork exports are expected to be 5.1 billion pounds, 2.5 percent above a year ago. The United States is on track to export 22.5 percent of commercial pork production, compared with 21.5 percent in 2013. Next year, the United States is expected to export 5.3 billion pounds of pork products, 2.6 percent more than in 2014 and 21.9 percent of total commercial pork production.

Broiler Meat Production Down in August

U.S. broiler meat production in August totaled 3.2 billion pounds, 3 percent lower than the previous year. The decline was attributed to a fall in the number of birds slaughtered. The August 2014 slaughter, at 710 million, was down 4.5 percent from the previous year. This decline in the number of birds slaughtered was due to one fewer slaughter day in August 2014 compared with the previous year. However, the average liveweight at slaughter rose to 5.98 pounds, up 1.4 percent, which resulted in a total liveweight at slaughter in August of 4.2 billion pounds, a decline of 3.2 percent from the previous year. Total broiler meat production has been boosted by heavier average weights throughout the first 8 months of 2014, and the year-to-date average weight has been 5.98 pounds, 1.6 percent higher than during the same period in 2013.

Broiler meat production in July and August were in line with current expectation, and the production forecast for third-quarter 2014 remains at 9.85 billion pounds, 1.7 percent higher than third-quarter 2013 and slightly above the year-over-year increase in production in second-quarter 2014.

The most recent 5-week average for the number of chicks being placed for growout is higher (up 1.9 percent) than the average for the same period in the previous year. Since approximately the beginning of August, the number of chicks placed has gradually been growing higher than the level of the previous year and in the last several weeks has moved considerably higher. In fourth-quarter 2014, the number of chicks placed for growout is expected to remain higher than in the same period a year earlier. Broiler slaughter in fourth-quarter 2014 is expected to be based, for the most part, on the number of chicks placed for growout through the beginning of November. Average liveweight at slaughter in fourth-quarter 2014 is expected to be only slightly higher than that of a year earlier.

With continued firm wholesale boiler prices and lower expected prices for feeds, the number of eggs set in incubators and chicks placed for growout in 2015 is expected to remain well above the previous year. This expected growth led to the broiler meat production forecast for 2015 being raised 80 million pounds to 39.56 billion pounds, 2.9 percent higher than the forecast for 2014.

At the end of August, cold storage holdings of broiler meat products totaled 584 million pounds, down almost 15 percent from the previous year. The lower cold storage holdings stemmed from large declines in holdings of only a few product categories. The largest factors in the decline were a 44-percent reduction in the holdings of whole birds, a 22-percent decline in holdings of leg quarters, a 40-percent decline in wings, and an 11-percent decrease in holdings in the “other” category. Partially countering these declines were increases in the holdings of such items as: breast meat, legs, thighs, drumsticks, and thigh meat. The two largest increases were for breast meat (up 10 percent), and legs (up 34 percent).

Lower stock levels for whole birds and a number of parts have contributed to upward price pressure. In the Northeastern market, the September wholesale price for boneless/skinless breast meat averaged \$1.87 per pound, up 26 percent from a year earlier, and the price for breast meat with ribs was \$1.29 per pound, an increase

of 4 percent from the previous year. Lower stocks of wings (compared with the previous year) have finally resulted in higher wing prices. Wing prices started 2014 at below \$1.30 per pound, down over 30 percent from the previous year. Prices have increased relatively steadily so far in 2014, reaching \$1.66 per pound in September, 3 percent higher than the previous year. Whole bird prices have also been strong compared with a year earlier, with September prices averaging \$1.07 per pound, an increase of 17 percent from September 2013. Although stock levels at the end of August for leg quarters continue to be much lower than a year earlier, September prices were \$0.46 per pound, 12 percent lower than a year earlier. Prices have declined in part due to the loss of the Russian market, a prime outlet for frozen leg quarter exports. The decline of leg quarter prices has also impacted prices for other leg products. Prices for legs, thighs, and boneless/skinless thighs were all lower in September than in the previous year.

Broiler meat production is expected to be higher in fourth-quarter 2014, and broiler stock levels are forecast to be higher than at the end of the third quarter but still below year-earlier levels. These changes are expected to place downward pressure on most broiler products. This will be partially countered by continued high prices for beef and pork prices, with broiler prices remaining very competitive with the other two primary meat sources.

Turkey Meat Production Higher, Parts Prices Lower

U.S. turkey meat production in August 2014 was 484 million pounds, down only 0.2 percent from a year earlier. The number of turkeys slaughtered (20.1 million) was down 1.2 percent from a year earlier, but the average live weight at slaughter (30 pounds), was 1.1 percent higher. The decline in production was less than expected given one fewer slaughter day in August 2014 compared with a year earlier. Given the higher than expected turkey meat production in August, the production estimate for third-quarter 2014 was increased by 5 million pounds to 1.47 billion, 2.1 percent higher than the previous year. This anticipated increase comes after turkey meat production has been lower on a year-over-year basis for the last five consecutive quarters.

Year-over-year turkey production is projected to increase in fourth-quarter 2014 and throughout 2015, with production forecast at 5.93 billion pounds, 3.4 percent higher than in 2014. After being lower on a year-over-year basis through the first 4 months of 2014, the number of poults placed for growout has been higher on a year-over-year basis for the last 6 consecutive months. With lower feed costs and generally strong prices for whole birds and parts, turkey producers have an incentive to increase production.

At the end of August, cold storage holdings of turkey products totaled 493 million pounds, 15 percent lower than at the same time in 2013. With year-over-year declines in production for the last several quarters, turkey stocks have been significantly lower than the previous year over the first 8 months of 2014. The lower stocks over the last several months were due primarily to smaller holdings of whole birds, specifically of whole toms. At the end of August, cold storage holdings of whole birds totaled 301 million pounds, 10 percent lower than a year earlier, but the decline came entirely from smaller stocks of whole toms. Stocks of whole hens at the end of August were 164 million pounds, 14 percent higher than a

year earlier, while cold storage holdings of whole toms were only 137 million pounds, 29 percent lower than at the end of August 2013.

Stocks of turkey parts totaled 192 million pounds at the end of August, down over 3 percent from the previous month and 21 percent lower than the previous year. Stock levels for every category of turkey cold storage holdings were lower than the previous year. The largest percentage declines were for breast meat and legs, down 36 and 42 percent. Even with higher turkey production forecast for the third and fourth quarters of 2014, turkey stocks for the end of 2014 are forecast at 225 million pounds, down 5 percent from the previous year.

Lower production in the first half of 2014 and lower stock levels through August have resulted in upward pressure on prices for whole bird and most parts. The average price for frozen whole hen turkeys (National price 8-16 lbs.) was \$1.10 per pound in third-quarter 2014, over 10 cents more per pound than a year earlier (up 10 percent). The wholesale price in fourth-quarter 2014 is forecast at \$1.12 - \$1.16 per pound, about 9 cents per pound higher than the previous year.

With falling cold storage holdings, prices for most turkey parts have been higher than those in the previous year. In August, prices for boneless/skinless turkey breasts were over 100 percent higher than a year earlier and averaged over \$4.00 per pound. Prices of frozen tom drumsticks were also much higher, averaging just under \$1.00 per pound, 34 percent above a year earlier. With stocks of turkey parts all below year-earlier levels, prices will continue to get upward price pressure until rising stock levels, which are expected in 2015 from higher production, start to reverse this trend.

Table Egg and Hatching Egg Production Higher

In August, U.S. table egg production was 608 million dozen, 2.8 percent higher than in the previous year. The gain was due to increases in both the size of the table egg flock (up 1.9 percent) and the number of eggs produced per laying hen (up 0.9 percent). In August, the number of hens in the table egg laying flock was 301.1 million. During the first 8 months of 2014, table egg production has totaled 4.7 billion dozen, an increase of 2.8 percent over the same period in 2013. Table egg production has been higher throughout the first 8 months of 2014. This trend, which is expected to continue through the remainder of the third quarter and into the fourth quarter, has led to an increase of 40 million dozen eggs in the production forecast for the second half of 2014. With relatively high prices expected into the first half of 2015, the table egg production forecast for 2015 was increased by 80 million dozen to 7.27 billion dozen, 1.5 percent higher than the projected 2014 production.

Over the first 8 months of 2014, hatching egg production totaled 709 million dozen, slightly lower (0.3 percent) than in the same period in 2013. The decline in hatching egg production has been a result of lower numbers of egg-type eggs produced. Production of broiler-type hatching eggs through August has been even with the previous year. Production of broiler-type eggs is expected to be higher in third-quarter 2014 and to continue higher than the previous year through the end of 2014.

Production of both table eggs and hatching eggs is expected to increase in 2015. Continued domestic economic growth and lower grain prices are expected to

provide an incentive for table egg producers to expand production. The increase is expected to be driven by expansion in broiler chick production as the industry expands as a result of lower feed costs and strong prices for competing meats.

In September, wholesale prices for a dozen large eggs in the New York market averaged \$1.23, leaving average prices in third-quarter 2014 at \$1.29 per dozen, up 9 percent from the price a year earlier. In early October, weekly prices had moved slightly higher than their September average and were around \$1.28 per dozen. The forecast for fourth-quarter 2014 was reduced slightly from the previous estimate and is expected to average \$1.39-\$1.45 per dozen, about the same as the previous year.

U.S. Broiler Shipments Down in August

Broiler shipments in August 2014 declined 2.7 percent from a year earlier, totaling 612.8 million pounds. Top export partners in August included Mexico, Angola, Canada, Cuba, and the Philippines, with Mexico leading with 124.0 million pounds shipped in August. The second highest U.S. export market was Angola, with 53.7 million pounds shipped, followed by Canada with 36.8 million pounds. Cuba and The Philippines finished fourth and fifth, with exports totaling 28.9 and 21.5 million pounds, respectively. Destinations with significant quantity increases in U.S. broiler shipments in August 2014 included Angola, Cuba, The United Arab Emirates, and the Philippines, all with year-over year increases greater than 10 million pounds. The increase for Angola was 14.4 million pounds, 36.8 percent over last year. There were significant drops in shipments to Russia and Lithuania (to which exports were 18.1 million pounds less than in August last year). Russia declined the most, with 42.5 million pounds less in shipments than last year's August total, a drop of 78.6 percent.

In August, the Russian Government announced a 1-year ban on agricultural product imports from several countries, including the United States. While it is less of a destination than in prior years, Russia was still a large market for U.S. broiler exports. On a year-to-date basis through June, 7.5 percent of U.S. broiler shipments had been sent to Russia. The 11.5 million pounds of shipments to Russia in August likely arrived before the August 7th, 2014, announcement. Russia is not expected to receive further shipments during the ban, beginning with next month's release of September trade data. Russia's drop in shipments of 42.5 million pounds was countered by large increases for multiple Asian, Former Soviet Union, Middle Eastern, and Sub-Saharan African markets. It is anticipated that a share of the product that would have gone to Russia will continue to be partly absorbed by other markets, especially if the additional supply leads to downward pressure on leg quarter prices. The USDA forecasts 7.269 billion pounds of broiler exports for 2014, a 50-million-pound increase from September's forecast. The USDA forecasts 7.365 billion pounds of broiler exports for 2015.

Turkey Shipments Up in August

Turkey shipments totaled 76.4 million pounds in August 2014, an increase of 15 percent from a year ago. The United States shipped 45.5 million pounds of turkey meat to Mexico in August 2014, an increase of 35.2 percent from a year earlier, amounting to 59.5 percent of all shipments. Shipments to China had a drop from 9.0 million pounds last year to 7.4 million pounds this August, a 17.9-percent decrease. Exports to Canada also had a large drop; August 2014 shipments to Canada were only 1.5 million pounds compared with August 2013 shipments of 2.1 million pounds, a 27.5-percent decline. The current forecast for turkey exports is 807 million pounds for 2014, an increase of 40 million pounds from September's forecast, and 820 million pounds for 2015, up 40 million pounds from September's forecast.

Egg and Egg Product Shipments Declined in August

Egg and egg product shipments in August 2014 were down 4.6 percent from a year ago. On a shell egg basis, a total of 33.2 million dozen eggs and egg products were shipped. Despite a decline of 31.7 percent in U.S. egg and egg product shipments since last August, Mexico remains the largest destination for these products, with 9.5 million dozen eggs and product equivalent shipped in August 2014. Canada was the second largest destination, with U.S. shipments totaling 8.2 million dozen, an increase of 67.9 percent. The 2014 forecast for egg and egg product exports is 358.4 million dozen, an increase of 10 million dozen from September's forecast. The 2015 forecast is 340 million dozen, a 20 million dozen increase from September's forecast.

Milk Prices Are Forecast Lower Next Year and Milk Production Is Forecast Higher

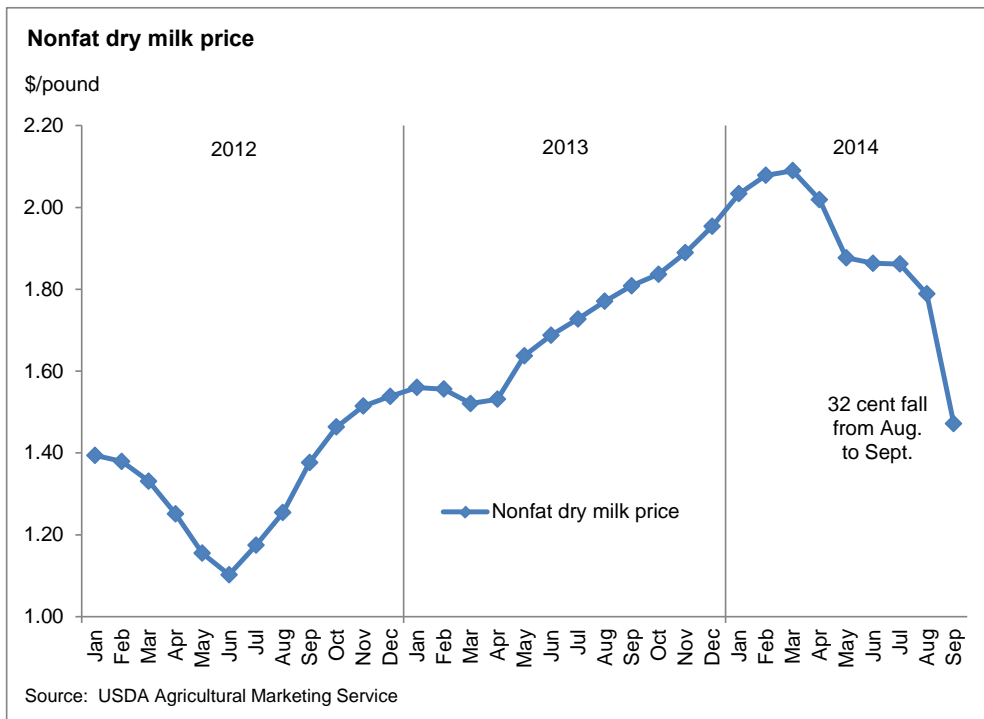
U.S. corn prices for 2014/15 are lowered again in October from September to \$3.10-\$3.70 per bushel on higher forecast corn production. Soybean meal prices for 2014/15 are unchanged from September at \$330-\$370 per ton. Soybean supplies are tightened slightly but not enough to affect prices. The September Agricultural Prices reported September preliminary alfalfa hay prices at \$197 per ton, lower than August and about the same as a year ago. Lower forecast grain and an unchanged soybean meal price in 2014/15, along with anticipated forage prices, will likely maintain a milk-feed price ratio in 2015 that is conducive to expansion.

The September Milk Production report placed April-June milk production 1.7 percent above the corresponding period in 2013. Although milk prices are projected lower for 2015, the dairy herd is expected to expand next year on lower expected feed costs. The October dairy cow herd forecast is maintained at 9.260 million head for the current year and is unchanged from September at 9.335 million head for 2015. Based on year-to-date reported data, the forecast of annual output per cow is lowered slightly to 22,255 pounds this year, with an increase expected next year to 22,790 pounds. Milk production in 2014 is forecast at 206.1 billion pounds, slightly lower than September's forecast. Forecast production in 2015 was raised in October to 212.8 billion pounds based on the higher forecast yield per cow.

Milk-equivalent imports on both a fat and skim-solids basis are raised for 2014 in this month's forecast. On a fats basis, imports in 2014 are increased to 4.3 billion pounds, due mostly to increased imports of butterfat. Imports in 2015 are projected at 3.8 billion pounds, unchanged from last month. On a skim-solids basis, imports were raised to 5.6 billion pounds in 2014. High domestic prices relative to world prices have promoted imports. For 2015, imports on a skim-solids basis are forecast as unchanged from last month at 5.2 billion pounds.

Milk equivalent exports for 2014 and 2015 on a fats basis are unchanged in October from last month at 12.6 billion pounds for the current year and 11.5 billion pounds for 2015. Current-year exports on a skim-solids basis are lowered this month for 2014 to 39.2 billion pounds as exports of nonfat dry milk (NDM) and whey products continue to slip. For 2015, skim-solids exports are unchanged from last month at 38.5 billion pounds. Current U.S. dairy product prices are above world prices. Lower expected domestic milk and dairy product prices in 2015 should help maintain exports next year.

Ending stocks on a fats basis are raised for 2014 to 10.7 billion pounds, climbing next year on a year-over year comparison, to 12 billion pounds, unchanged from last month's forecast. On a skim-solids basis, ending stocks are raised to 12.6 billion pounds, up 0.6 billion pounds from last month as exports of NDM and whey products have softened. Skim-solids ending stocks next year are forecast slightly higher this month over September at 12.7 billion pounds. Despite greater milk production and reduced export prospects in 2015, strong domestic demand will likely keep stocks in line.



Dairy product prices for 2014 are raised from September, with the exception of a lower forecast price for NDM. The monthly NDM price, as reported by the Agricultural Marketing Service, dropped by 32 cents from August to September. For 2015, prices are forecast lower on a year-over-year basis but with the exception of NDM are unchanged from September's forecast; however, forecast ranges are narrowed. The lower year-over-year prices, especially for NDM, will help maintain exports next year and should stimulate domestic use. Cheese prices are increased from September to \$2.160-\$2.170 per pound for 2014, but the forecast price range is narrowed \$1.695-\$1.785 per pound for 2015. The 2014 butter price forecast is raised this month to \$2.220-\$2.250 per pound, while the forecast price range is narrowed to \$1.680-\$1.800 per pound for 2015. NDM prices are forecast at \$1.760-\$1.780 per pound in 2014 and \$1.450-\$1.520 per pound in 2015, both representing declines from the September forecast. Whey prices are projected at 65.0-66.0 cents per pound this year and 56.0-59.0 cents per pound next year.

The lower year-over-year product prices expected in 2015 will result in lower milk price forecasts for next year. However, prices are higher than those forecast in September. With higher projected cheese and butter prices this month compared with last month, the Class III price was raised to \$22.40-\$22.50 per cwt for this year. The forecast 2015 price range is narrowed this month to \$17.25-\$18.15 per cwt. The Class IV price is forecast at \$22.40-\$22.60 per cwt for 2014 and lowered to \$17.45-\$18.45 per cwt for 2015. The all milk price is raised at \$24.10-\$24.20 per cwt in 2014 and lowered to \$18.95-\$19.95 per cwt in 2015.

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

Related Websites

Livestock, Dairy, and Poultry Outlook,

<http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>

Animal Production and Marketing Issues,

<http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>

Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>

Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>

Hogs, <http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx>

Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>

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U.S. red meat and poultry forecasts

	2011					2012					2013					2014					2015				
	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	6,410	6,559	6,736	6,490	26,195	6,282	6,473	6,586	6,572	25,913	6,175	6,513	6,609	6,423	25,720	5,868	6,183	6,185	6,120	24,356	5,525	6,100	6,130	23,790	
Pork	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,244	23,253	5,775	5,516	5,622	6,274	23,187	5,785	5,504	5,420	6,050	22,759	5,910	5,750	5,860	23,925	
Lamb and mutton	36	40	36	37	149	39	39	39	40	156	38	41	40	38	156	37	43	37	37	154	38	37	36	147	
Broilers	9,290	9,509	9,542	8,861	37,202	9,089	9,381	9,372	9,198	37,039	9,144	9,466	9,683	9,537	37,830	9,283	9,618	9,850	9,700	38,451	9,530	9,970	10,105	39,560	
Turkeys	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,459	1,486	1,440	1,420	5,805	1,332	1,429	1,470	1,500	5,731	1,400	1,475	1,525	5,925	
Total red meat & poultry	23,011	23,114	23,395	23,226	92,746	22,865	23,084	23,274	23,739	92,963	22,743	23,183	23,563	23,844	93,333	22,455	22,935	23,124	23,561	92,075	22,553	23,494	23,824	93,986	
Table eggs, mil. doz.	1,631	1,641	1,665	1,715	6,652	1,684	1,680	1,707	1,771	6,842	1,711	1,724	1,750	1,798	6,983	1,746	1,776	1,800	1,840	7,162	1,785	1,805	1,815	7,270	
Per capita disappearance, retail lb 1/																									
Beef	14.1	14.5	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	13.7	14.5	14.3	13.9	56.3	13.1	14.0	13.8	13.2	54.1	12.2	13.5	13.4	52.4	
Pork	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.5	11.3	11.4	12.7	46.8	11.3	11.0	11.0	12.1	45.4	11.5	11.6	11.6	47.3	
Lamb and mutton	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.3	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.90	
Broilers	21.5	21.4	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.1	20.3	21.0	20.5	81.9	20.2	20.9	21.2	21.1	83.4	20.7	21.7	21.6	85.3	
Turkeys	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.8	16.0	3.4	3.5	3.8	4.8	15.6	3.2	3.5	4.2	15.7	
Total red meat & poultry	51.2	51.3	51.0	51.0	204.6	49.3	50.3	50.7	52.0	202.3	49.5	50.3	51.3	52.4	203.5	48.7	50.0	50.3	51.8	200.8	48.3	50.9	51.4	203.1	
Eggs, number	61.3	61.5	62.8	64.3	250.0	63.3	62.3	63.3	65.4	254.3	63.5	62.6	63.9	65.1	255.1	63.8	64.5	65.5	67.2	261.1	65.0	65.8	65.9	264.6	
Market prices																									
Choice steers, 5-area Direct, \$/cwt	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125.52	124.95	122.30	130.77	125.89	146.34	147.82	158.49	156-162	152.91	151-161	150-162	149-161	149-162	
Feeder steers, Ok City, \$/cwt	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	141.36	133.10	152.08	161.69	147.06	167.49	188.64	220.90	222-228	200.51	217-227	219-231	212-224	215-228	
Cutter Cows, National L.E., \$/cwt	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	77.87	77.46	78.36	76.55	77.56	89.12	98.57	111.42	104-110	101.53	103-113	107-119	104-116	103-116	
Choice slaughter lambs, San Angelo, \$/cwt	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	107.53	91.72	94.26	150.97	111.12	166.69	148.99	156.02	147-153	155.43	145-155	149-161	149-161	146-159	
Barrows & gilts, N. base, L.e. \$/cwt	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	59.03	65.46	70.59	61.11	64.05	68.69	85.40	83.30	72-74	77.60	64-68	66-72	65-71	63-68	
Broilers, 12 City, cents/lb	80.20	83.00	78.20	78.00	79.90	87.40	85.1	82.0	92.1	86.6	103.5	108.6	93.90	92.80	99.70	98.4	113.70	104.60	102-106	105.20	101-109	102-110	99-107	100-108	
Turkeys, Eastern, cents/lb	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	96.0	97.7	99.9	105.40	99.80	100.7	105.60	110.20	112-116	107.60	98-106	100-108	104-112	102-111	
Eggs, New York, cents/doz.	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	126.9	109.9	119.0	143.00	124.70	142.7	134.60	129.30	139-145	137.20	132-142	117-127	113-123	124-134	
U.S. trade, million lb																									
Beef & veal exports	633	702	766	683	2,785	558	624	650	620	2,452	557	637	716	680	2,590	583	667	680	670	2,600	575	650	675	2,525	
Beef & veal imports	461	593	548	454	2,057	582	669	516	453	2,220	590	629	515	516	2,250	596	768	725	595	2,684	645	725	725	2,700	
Lamb and mutton imports	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	49	42	40	177	47	42	37	166	
Pork exports	1,248	1,208	1,260	1,481	5,196	1,442	1,301	1,251	1,386	5,380	1,219	1,226	1,206	1,342	4,992	1,345	1,281	1,140	1,350	5,116	1,300	1,275	1,250	5,250	
Pork imports	201	195	194	213	803	207	191	198	205	802	208	210	229	233	880	212	240	245	250	947	230	230	220	900	
Broiler exports	1,526	1,598	1,976	1,877	6,978	1,734	1,791	1,864	1,886	7,274	1,752	1,865	1,855	1,874	7,345	1,831	1,829	1,865	1,745	7,269	1,770	1,770	1,950	7,365	
Turkey exports	159	171	173	199	703	180	184	216	217	797	179	182	197	201	759	163	188	230	225	807	195	200	210	820	
Live swine imports (thousand head)	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,300	1,255	1,075	4,957	1,196	1,216	1,235	1,205	4,852	1,200	1,200	1,200	4,800	

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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Dairy Forecasts

	2013			2014					2015			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,224	9,201	9,221	9,214	9,254	9,277	9,300	9,260	9,315	9,330	9,345	9,335
Milk per cow (pounds)	5,356	5,355	21,822	5,540	5,713	5,500	5,500	22,255	5,670	5,840	5,640	22,790
Milk production (bil. pounds)	49.4	49.3	201.2	51.0	52.9	51.0	51.2	206.1	52.8	54.5	52.7	212.8
Farm use	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	1.0
Milk marketings	49.2	49.0	200.2	50.8	52.6	50.8	50.9	205.1	52.6	54.2	52.5	211.8
Milkfat (bil. pounds milk equiv.)												
Milk marketings	49.2	49.0	200.2	50.8	52.6	50.8	50.9	205.1	52.6	54.2	52.5	211.8
Beginning commercial stocks	16.9	14.3	12.2	11.2	12.8	13.3	12.4	11.2	10.7	13.5	14.9	10.7
Imports	0.9	0.9	3.7	0.8	0.8	1.2	1.5	4.3	1.0	0.9	0.9	3.8
Total supply	66.9	64.2	216.2	62.8	66.2	65.2	64.8	220.6	64.2	68.7	68.2	226.3
Commercial exports	3.6	3.4	12.4	3.9	3.5	2.9	2.3	12.6	2.5	2.8	3.2	11.5
Ending commercial stocks	14.3	11.2	11.2	12.8	13.3	12.4	10.7	10.7	13.5	14.9	13.6	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
Commercial use	49.0	49.6	192.6	46.2	49.4	49.9	51.8	197.3	48.3	50.9	51.4	202.9
Skim solids (bil. pounds milk equiv.)												
Milk marketings	49.2	49.0	200.2	50.8	52.6	50.8	50.9	205.1	52.6	54.2	52.5	211.8
Beginning commercial stocks	14.2	12.4	12.4	11.6	12.7	13.3	12.9	11.6	12.6	13.2	13.8	12.6
Imports	1.1	1.5	5.3	1.4	1.2	1.4	1.5	5.6	1.3	1.3	1.3	5.2
Total supply	64.4	62.9	217.9	63.9	66.5	65.5	65.3	222.3	66.5	68.7	67.5	229.6
Commercial exports	10.4	9.3	38.5	9.8	11.0	9.3	9.2	39.2	9.4	9.7	10.0	38.5
Ending commercial stocks	12.4	11.6	11.6	12.7	13.3	12.9	12.6	12.6	13.2	13.8	13.4	12.7
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.7	42.0	167.7	41.4	42.3	43.3	43.6	170.5	43.9	45.2	44.1	178.4
Milk prices (dol./cwt) 1/												
All milk	19.60	21.50	20.05	24.53	24.23	24.13	23.50	24.10	20.35	17.90	18.20	18.95
							-23.90	-24.20	-21.05	-18.90	-19.20	-19.85
Class III	17.81	18.67	17.99	22.61	22.75	22.82	21.50	22.40	17.45	16.80	17.30	17.25
							-21.90	-22.50	-18.15	-17.80	-18.30	-18.15
Class IV	19.13	20.74	19.05	23.10	23.04	23.42	20.20	22.40	16.85	16.80	17.70	17.45
							-20.70	-22.60	-17.65	-17.90	-18.80	-18.45
Product prices (dol./pound) 2/												
Cheddar cheese	1.761	1.847	1.768	2.213	2.187	2.168	2.065	2.160	1.720	1.650	1.700	1.695
							-2.105	2.170	-1.790	-1.750	-1.800	-1.795
Dry whey	0.579	0.576	0.590	0.630	0.677	0.683	0.625	0.650	0.545	0.555	0.565	0.560
							-0.645	-0.660	-0.575	-0.585	-0.595	-0.590
Butter	1.438	1.566	1.545	1.779	2.053	2.574	2.505	2.220	1.850	1.645	1.645	1.680
							-2.575	-2.250	-1.950	-1.775	-1.775	-1.800
Nonfat dry milk	1.769	1.893	1.707	2.067	1.920	1.707	1.360	1.760	1.290	1.395	1.495	1.450
							-1.400	-1.780	-1.350	-1.465	-1.565	-1.520

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. Calculated from weekly "National Dairy Products Sales Report", USDA Agricultural Marketing Service. Details may be found at <http://www.ams.usda.gov/DairyProductMandatoryReporting>.

Source: World Agricultural Supply and Demand Estimates and supporting materials.

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