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Livestock, Dairy, and Poultry Outlook

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Livestock and Poultry Prices Take a Breather

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Tables will be released on Aug 27, 2014

The next newsletter release is Sept 17, 2014

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Despite improvements in national pasture conditions and anecdotal observations, heifer retention for increasing future breeding cow inventories was not validated in National Agricultural Statistics Service’s (NASS) July 1 *Cattle* report.

Beef/Cattle Trade: U.S. cattle imports during the second quarter of 2014 were up 19 percent from a year earlier due to stronger imports of feeder cattle from both Canada and Mexico. The forecast for U.S. beef exports was raised to 2.620 billion pounds in 2014 and 2.525 billion pounds in 2015. Despite higher prices for U.S. beef this year, export demand has been strong from Asia. The forecast for U.S. beef imports in 2014 was also raised to 2.584 billion pounds due to higher shipments from Oceania and Canada, while imports in 2015 were raised to 2.600 billion pounds.

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: USDA increased second-half pork production by 20 million pounds over last month's forecast. A lower hog slaughter in July was more than offset by expectations of strong increases in third- and fourth-quarter dressed weights. Despite high U.S. pork prices, U.S. exports in June increased more than 4 percent over a year ago. The Russian embargo of U.S. agricultural products is not expected to have a significant direct effect on the U.S. pork sector.

Poultry: Broiler meat production is expected to continue expanding in the second half of 2014, with production in the third and fourth quarters expected to grow at around the same rate as in the first half of the year. Production is expected to be boosted by declines in feed costs, relatively strong prices, and continued growth in the domestic economy. Turkey meat production in the second half of 2014 is expected to total 2.95 billion pounds, up 5 percent from the same period in 2013. The increase is expected to come chiefly from a higher number of birds slaughtered.

Poultry Trade: Broiler and egg and egg product shipments in June were down from a year ago, while turkey exports were up. Broiler shipments totaled 619.9 million pounds in June 2014, a decrease of 3.2 percent from a year earlier. Egg shipments decreased 10.8 percent from a year ago, totaling 30.1 million dozen, while turkey exports totaled 69.8 million pounds in June 2014, a 9.7-percent increase from the previous June.

Dairy: Milk production is raised in this month's forecast for both this year and next, mostly on higher output per cow. Milk and feed prices continue to favor higher milk production. Fat-basis exports are trimmed for both this year and next, while skim-solids basis exports are raised fractionally in both years. Prices are increased this month for most products and milk. Year-over-year, milk and product prices will be lower next year.

Replacement Heifer Inventories Surprise Analysts

Pasture conditions over most of the United States are much improved over conditions at this time last year. In addition, corn prices are currently below \$4 per bushel and expected to drop further. Extreme drought conditions continue in parts of the Southwestern United States. The U.S. Drought Monitor from August 8, 2014 indicates relief for parts of the West, Southwest, and Plains; however, California and some areas of the Southwest are still impacted by significant areas of drought at the D4 or Exceptional Drought levels. Irrigation water is being sold at premium prices, and much irrigated acreage is being idled, cutting into California alfalfa hay, fruit, and vegetable production.

The NASS Cattle report indicated little or no increase in replacement heifer inventories for either beef or dairy herds over July 1, 2012 inventories, when the last July 1 estimates were released. This was not expected, and it indicates that any herd rebuilding is pushed into the future. At the same time, the proportion of heifers on feed is the lowest since July 2006, during the last upturn in total cow inventories.

For some context, the January 1, 2014 inventory of beef replacement heifers was up almost 4 percent over January 1, 2012 and was up almost 2 percent over January 1, 2013. However, all other heifer categories were lower over both 2012 and 2013 inventories. Dairy heifers showed the least percentage declines, but other heifer inventories were down by a whopping 7.5 percent over 2012 inventories and by 5 percent over 2013 inventories.

Feeder Cattle Prices May Narrow Feeding Margins

Cattle feeders are experiencing positive average profit margins for cattle currently being marketed. However, prices of feeder cattle are well above \$200-per-cwt, and, even with corn below \$4 per bushel, break-even prices for cattle placed on feed this summer are escalating along with feeder cattle prices and are moving close to \$160 per cwt. The escalating break-evens will put negative pressure on profit margins if fed cattle prices fail to keep up.

Only once since 1999 (in 2009) has the July 1 inventory of all cattle on feed been as low as the 11.6 million head on July 1, 2014. While some press has been given to increased cattle feeding by under-1,000-head feedlots, it is difficult to demonstrate as current ratios of marketings from 1,000-head-plus feedlots to total commercial steer and heifer slaughter remain relatively high. These ratios would suggest fewer cattle are being fed in the smaller feedlots. It is possible these smaller cattle feeders are growing rather than finishing feeder cattle. The recent disproportionately large placements of over-800-pound feeder cattle in feedlots provide some evidence to support this logic, since pasture resources needed to grow lighter-weight feeder cattle to heavy weights have been drought-constrained until relatively recently.

The enthusiasm that has driven feeder cattle prices to their current record levels—along with improving pasture conditions—imply the potential for relatively large supplies of heavy feeder cattle in late summer/early fall. The improved pasture conditions late this spring and summer have provided stocker operators with the

forage they need to grow light-weight calves to heavier weights and may yet allow cow-calf producers to retain heifers for breeding.

To the extent that such heifer retention occurs, it will further reduce feeder cattle supplies for placement on feed. If heifers are not bred until next summer, it will be spring of 2016 before they calve, and 2017 before the bulk of those calves will be placed on feed and marketed as fed cattle. It will take several years of heifer retention to build up heifer/cow inventories to the point of significantly expanding beef supplies.

Constrained beef supplies will provide incentive to pull feeder cattle forward, that is, to place them on feed at younger ages and at lighter weights in an effort to increase short-term beef supplies. With corn prices relatively low, similar to 2009 prices, producers could also keep cattle on feed longer, resulting in a continuation of record-breaking average dressed weights of over 800 pounds per carcass.

Weekly moving-average wholesale cutout values also reached record levels recently. Despite the apparent current profitability in the meatpacking sector, L&H Packing Co. in San Antonio, Texas and Cargill Inc. in Milwaukee, Wisconsin have announced plans to shut down in the due to low cattle inventories. This news follows plant closings (Cargill plant in Plainview, Texas, National Beef in Brawley, California, and others previously) and plant downsizing (Cargill in Dodge City, Kansas) announced earlier in the year, all attributed, at least in part, to low cattle inventories and the difficulty in acquiring cattle.

At \$5.94 and \$5.51 per pound, retail Choice beef and All-fresh beef prices moved deeper into record territory in June. However, there are some indications that consumers may begin to push back against the higher prices

Forecast for U.S. Cattle Imports Raised in 2014 and 2015

U.S. cattle imports were up 9 percent through June 2014 compared with year-earlier levels. Shipments from Canada have totaled 624,122 head in 2014, an increase of 56,423 head from the same period last year. Imports of slaughter cattle have declined this year but were more than offset by increased imports of feeder cattle. While feeder imports averaged 26 percent of total Canadian imports between 2009 and 2013, those shipments have averaged 38 percent of total imports this year. The average price for Nebraska feeder steers (7-8 cwt.) in July 2014 was 39 percent higher than a year earlier (see figure). Prices have also risen in Canada but at a slower rate than U.S. prices; coupled with a stronger U.S. dollar, Canadian sellers can get better prices for animals by exporting to the United States. Imports of feeders from Mexico have also increased (+7 percent) despite low cattle inventories. Due to stronger demand for imported feeder cattle, the forecast for U.S. cattle imports in 2014 was raised to 2.150 million head, 6 percent higher than the 2013 level. The forecast for 2015 was also raised, by 75,000 head to 2.175 million.

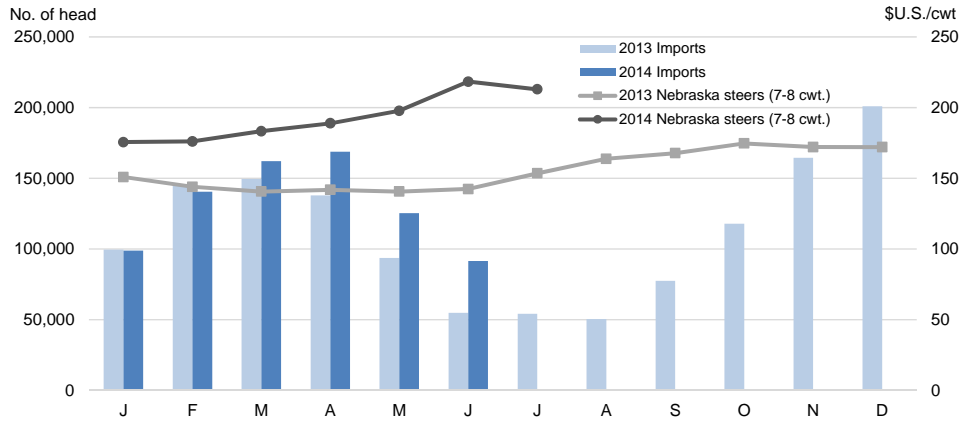
Beef Imports Surge from Australia

U.S. beef imports through June 2014 were up 12 percent, led by stronger imports from Australia (+36 percent), Canada (+11 percent), and New Zealand (+3 percent). U.S. supplies of lean manufacturing beef have declined as weekly federally inspected cow and bull slaughter was about 12 percent lower through the end of July. Meanwhile, cattle slaughter has increased 10 percent in Australia, the top supplier of U.S. beef imports. Continued drought in Australia has devastated range conditions in the predominantly pasture-based system. Lack of forage has led to record beef production and a 16-percent increase in exports. The United States has benefited most from the increase in Australia's shipments, while year-to-date Australian exports to Japan and South Korea have fallen. U.S. beef imports from Australia far exceed 2013 levels, as well as the 5-year-average (see figure). Shipments have increased by a smaller volume from Canada amid strong U.S. prices and a weaker Canadian dollar. The forecast for U.S. beef imports in 2014 was raised 63 million pounds to 2.584 billion pounds due to stronger demand for imported processing beef. The forecast for 2015 was also increased to 2.600 billion pounds as U.S. beef production is expected to decline further next year.

U.S. Beef Exports Strong to Asia and Mexico

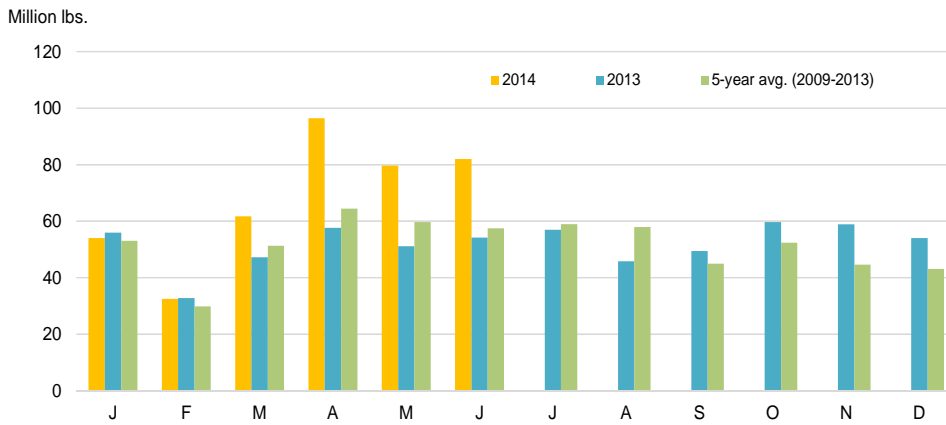
Despite higher prices for U.S. beef, export demand has remained resilient thus far in 2014. Through June 2014, U.S. beef exports have increased 5 percent, led by higher shipments to Hong Kong (+57 percent), Mexico (+33 percent), and South Korea (+21 percent) (see figure). Shipments to Japan during the first and second quarter were 7 percent lower than the same period last year when exports surged following a change in Japan's import restrictions to allow beef from U.S. cattle aged less than 30 months. Shipments have also fallen to Canada (-21 percent) as high U.S. beef prices and a weaker Canadian dollar have cut into demand. The forecast for U.S. exports in 2014 was raised to 2.620 billion pounds due to strong demand in Asian markets. Exports are expected to fall 4 percent in 2015 to 2.525 billion pounds due to lower U.S. beef production.

Monthly U.S. Feeder Cattle Imports and Prices for Nebraska Steers (7-8 cwt)



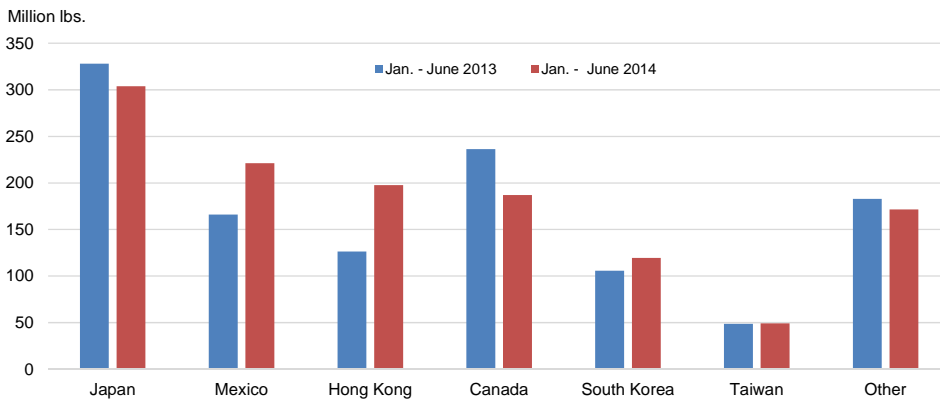
Source: Agricultural Marketing Service, USDA and U.S. Census Bureau.

U.S. Beef Imports from Australia



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

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



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

Adjustments to Slaughter and Sharp Increases in Hog Weights Slightly Raise Second-Half Production

USDA reduced the third-quarter pork production forecast due to lower than expected hog slaughter numbers in July. Third-quarter 2014 commercial pork production is expected to be 5.5 billion pounds, almost 3 percent below a year ago. Lower availability of slaughter hogs was almost certainly due to Porcine Epidemic Diarrhea (PEDv). Pork producers are expected to offset a portion of the production loss from lower hog numbers by feeding surviving animals to heavier weights. Third-quarter dressed weights of slaughter hogs are expected to average more than 9 pounds above weights in the same period last year.

The reduction in the third-quarter pork production forecast that remained after accounting for higher expected dressed weights was more than offset by a small increase in expected fourth-quarter production. Fourth-quarter production is expected to be about 6 billion pounds, 4 percent below a year ago. Taken together, adjustments to slaughter and dressed weights raise second-half 2014 pork production by 20 million pounds compared with forecasts published last month.

Heavier Hog Weights Continue To Carry the Day

For 2014 to date, producer's decisions to raise hogs to higher weights have been incentivized by very strong hog prices due to lower animal numbers, accommodated by lower feed costs and excess barn space created by PEDv holes in the hog supply chain. This year, estimated commercial hog slaughter is likely to be about 5 percent below slaughter in 2013, while commercial pork production is expected to fall only about 2 percent. Dressed weights this year are likely to average 8 pounds heavier than last year and 9 pounds more than in 2012.

Second-half hog prices will likely continue to reflect year-over-year reduced hog supplies—due to PEDv—and increased demand for hogs. Third-quarter prices of live equivalent 51-52 percent lean hogs are expected to average \$85-\$87 per cwt, almost 22 percent above a year ago. For the fourth quarter, prices will likely average \$77-\$81 per cwt, about 29 percent above a year ago.

The current demand for hogs derives from strong demand for pork products, both domestically and in export markets. The U.S. demand for pork is being driven, in part, by high prices of substitute animal proteins, that is, of beef and chicken. Record-high beef prices, in particular, are likely causing consumers to buy more pork products. Strong retail beef prices, projected to be at record levels in 2015, will more than likely continue to drive demand for pork.

Strong Foreign Demand for U.S. Pork in June, and a Good Pop in Pork Imports as well

Despite very strong June wholesale pork prices (+21 percent over June 2013 of the Wholesale Carcass Cutout), U.S. pork exports in June were more than 4 percent higher than a year ago. Exports, summarized in the table below, were more than 414 million pounds, with Mexico the largest foreign destination, followed by Japan and Canada. These three countries together accounted for almost 66 percent of June

pork exports. Anecdotal reports of sluggish pork demand in China\Hong Kong may offer a partial explanation of lower June shipments (-34 percent, year-over-year). Exports to Russia were over 25 million pounds in June, about 6 percent of total exports. However, in early August, Russia announced a ban on imports of agricultural products from a number of countries, including the United States. The effects of the ban on the U.S. pork industry are expected to be limited, given recent low levels of exports to Russia due to Russia's restrictions on imports of pork produced with ractopamine. Demand in other markets remains strong, with growth expected in a number of markets worldwide.

Continued strong foreign demand for U.S. pork products prompted the USDA to increase its third- and fourth-quarter export forecasts to 1.150 billion pounds and 1.290 billion pounds, respectively. For 2014 in total, exports are expected to be 5.07 billion pounds, 1.5 percent above 2013. Next year, exports are expected to be 5.15 billion pounds, 1.6 percent above 2014. These export forecasts imply that just over 22 percent of U.S. commercial pork production will be exported, both this year, and in 2015, slightly over the 21.5 percent of production exported in 2013.

June pork imports, at about 78 million pounds (+14 percent above June 2013) were higher than expected. Consequently, U.S. pork import forecasts were raised to 245 million pounds in the third quarter of 2014, and 250 million pounds in the fourth quarter, for a 2014 total of 947 million pounds, almost 8 percent above last year. Imports in 2015 are forecast to decline to 920 million pounds as U.S. pork production increases and hog prices decline.

High U.S. pork prices were almost certainly an explanatory factor for strong imports in June. While most imports were of Canadian origin (+0.34 percent compared with June 2013), imports from Denmark, the second largest U.S. source of foreign pork, increased almost 60 percent in June. Both Canada and the EU are banned from shipping pork to Russia, so it is possible that some of their pork may be exported to the United States.

U.S. pork exports to 10 largest foreign destinations, June 2014 and 2013¹

	Country	June 2014	June 2013	Percent change (2014 and 2013)	June 2014	June 2013
		Million lbs.	Million lbs.		Share of Exports %	Share of Exports %
	World	414	398	4.0		
1	Mexico	113	95	18.7	27.2	23.8
2	Japan	113	107	5.5	27.2	26.8
3	Canada	46	49	-5.1	11.2	12.3
4	China\Hong Kong	35	53	-34.0	8.5	13.4
5	Russia	25	0		6.1	0.0
6	South Korea	21	19	10.4	5.0	4.7
7	Australia	14	10	41.8	3.4	2.5
8	Colombia	10	10	-6.0	2.3	2.6
9	Philippines	9	11	-12.7	2.3	2.7
10	Honduras	5	5	-12.9	1.1	1.3

¹Totals have been rounded to the nearest million pounds.

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

Broiler Meat Production Higher in Second Quarter

Broiler meat production in second-quarter 2014 totaled 9.62 billion pounds, 1.5 percent higher than in the same period in 2013. This is the seventh consecutive quarter of year-over-year increases in broiler meat production. Production in June totaled 3.2 billion pounds, 6.7 percent higher than the previous year. A major factor for the strong increase in June production was one additional slaughter day in June 2014 than in the previous June. In the first half of 2014, broiler meat production was 18.9 billion pounds, a 1.6 percent increase from a year earlier. Broiler meat production is expected to continue to expand in the second half of 2014, with production in the third and fourth quarters expected to grow at around the same rate as in the first half of the year. With declines in feed costs, relatively strong prices, and continued growth in the domestic economy, broiler production normally would be expected to grow at a somewhat higher rate, but integrators still appear to have problems expanding the numbers of chicks being placed for growout.

Even with only a small increase in the number of birds available for slaughter, total meat production is expected to increase through higher average weights at slaughter. Broiler meat production forecasts for the third and fourth quarters of 2014 were increased to 9.83 and 9.68 billion pounds, 1.5 and 1.4 percent higher than in the same periods the previous year. The broiler meat production estimates for the first two quarters of 2015 were increased by 15 million pounds in each quarter, leaving the total production forecast for 2015 at 39.3 billion pounds, 2.5 percent higher than in 2014. By the beginning of 2015, the number of birds available for slaughter is expected to expand to match the previous year.

Over the first half of 2014, 4.2 million broilers were slaughtered, a decrease of 0.3 percent from a year earlier. This decline has been offset by higher average live weights at slaughter. During the first 6 months of 2014 the average live weight at slaughter was 5.99 pounds, up 1.6 percent from the first half of 2013. In the second half of 2014, the number of broilers slaughtered is expected to be only slightly higher than the previous year, and average bird weights at slaughter are expected to continue higher than a year earlier.

Through the first half of July, there continued to be a larger number of eggs placed in incubators each week and of chicks placed for growout, even factoring in normal hatchability rates. Over the last 5 weeks (July 12 to August 9) the number of chicks placed for growout has averaged 0.2 percent higher than during the same period in 2013. Yet looking at a similar 5-week period (plus the 3-week incubation period) of June 21 to July 19, the number of eggs placed in incubators averaged 205 million, up 1.3 percent from the same period in 2013. This difference has been a major factor in explaining why the broiler industry has not expanded as fast as had been expected given relatively strong prices and falling feed costs.

Broiler stocks in cold storage at the end of June 2014 totaled 530 million pounds, down 19 percent from a year earlier. Changes in the cold storage holdings of individual broiler products varied widely from the previous year, with a strong decrease in stock levels for a number of products driving down the overall total. Stocks of whole birds, at only 7.9 million pounds, were 49 percent lower than the previous year. Stocks of leg quarters declined to 84 million pounds, a reduction of

47 percent, while wings stocks fell to 62 million pounds, down 26 percent from the previous year. There was also a 14-percent decline in the “other” category of broiler meat products. Partially countering these decreases were gains in stocks of breast meat, drumsticks, legs, thighs, and thigh meat. Cold storage holdings of broiler products are expected to remain below the previous year at the end of the third and fourth quarters in 2014, as the expected small increases in production may fail to keep up with domestic consumption. One counter-movement to this trend is expected to be a reaction to the Russian ban on U.S. poultry imports. Stocks may not decline as much as earlier anticipated, with any stock gains from the stoppage of shipments to Russia coming in the leg quarter and leg meat categories.

Over the first 7 months of 2014, wholesale prices for most broiler products averaged the same or somewhat lower than in the same period the previous year. The weekly whole bird price reached as high as \$1.21 per pound in early June, but then began to fall seasonally in the rest of June and into July and averaged \$1.06 over the first 7 months of 2014, only 1 percent above the same period in 2013. The price changes for boneless/skinless breast meat have followed a similar pattern, with the January to July average at \$1.64, only marginally higher than the previous year. Prices for most leg meat products have averaged lower than the previous year, with leg quarters down 10 percent and drumsticks down 18 percent. One price that has risen lately has been wings, but wing prices in July were still considerably lower (down 18 percent) than the previous year.

With only relatively small increases in production expected in the second half of 2014 and lower stock levels for a number of products, along with strong prices for both beef and pork products, prices for some broiler meat products are expected to be under upward price pressure. Countering some of this pressure may be declines in exports due to the Russian ban. Even with low stock levels, the wholesale prices for whole broilers declined in both June and July, and at the beginning of August weekly prices were in the \$1.00 per pound range. As a result, the third- and fourth-quarter 2014 price forecasts were reduced to \$1.02-\$1.06 and \$0.99-\$1.05 per pound.

Turkey Production in Second-half 2014 Expected Higher

Forecast turkey meat production in the second half of 2014 is expected to total 2.95 billion pounds, up 5 percent from the same period in 2013. The increase is expected to come chiefly from a higher number of birds slaughtered. Average live weights are expected to be close to those of the previous year. Over the first half of 2014, average turkey live weights at slaughter have averaged 30.7 pounds, fractionally lower (down 0.5 percent) than a year earlier. This pattern is not expected to change greatly in the second half of 2014. Even with relatively strong prices and lower feed costs, the growth in the number of poults being placed for growout did not turn significantly higher than a year earlier until May. Turkey meat production is expected to increase only marginally in third-quarter 2014 (0.7 percent) compared with the previous year. With a jump up in poult placements in May and June, turkey meat production is expected to increase significantly in fourth-quarter 2014. The growth in turkey production is forecast to continue into 2015, driven by favorable feed prices and domestic support from continued relatively high (processing) meat prices.

Turkey meat production during the first 6 months of 2014 was 2.76 billion pounds, down 6.2 percent from the same period in 2013. The decrease was due almost

solely to a 5.9-percent decline in the number of turkeys slaughtered, as the average weight at slaughter was only slightly lower than the previous year.

With the number of birds slaughtered and turkey meat production lower in the first half of 2014, turkey stocks at the end of June were down sharply compared with their year-earlier levels. At the end of June, turkey stocks totaled 460 million pounds, down 19 percent from the previous year. The year-over-year decrease in stocks was due to lower cold storage holdings in all of the reported categories. Stocks of whole turkeys totaled 266 million pounds, a 14-percent decline from the previous year, while stocks of turkey products totaled 194 million pounds, a decrease of 24 percent from a year earlier. Turkey stocks are expected to remain below year-earlier levels through the end of 2014 but then to expand in 2015 as production increases.

With lower production over the first half of 2014, cold storage holdings of whole birds have been below their year-earlier levels and have placed upward pressure on prices. Prices for frozen hens have been higher than the previous year so far in 2014. In July, prices for frozen hens averaged \$1.09 per pound, 10 percent higher than the previous year. With turkey production expected to continue below year-earlier levels through third-quarter 2014, whole hen prices are expected to stay above year-earlier levels through the end of 2014 but then to move slightly lower than the previous year during the first half of 2015.

Monthly prices for wholesale turkey parts are not yet available for July, but over the first 6 months of 2014, prices for almost all parts averaged higher than during the same period in 2013. Prices for leg meat products (drumsticks and thighs) have averaged 41 and 44 percent higher compared with a year earlier. Price changes for breast meat products were mixed, with prices for breast meat down slightly and boneless/skinless breast meat sharply higher. Wholesale breast meat over the first 6 months of 2014 averaged \$1.21 per pound, 2 percent lower than a year earlier. On the other hand, prices for boneless/skinless breast meat averaged \$2.88 per pound, an increase of 144 percent from a year earlier. Boneless skinless breast meat may be the turkey part that has benefited the most from current very strong beef prices. Drumstick prices averaged 48 percent higher in the first half of 2014 than a year earlier, while prices for thighs were up 63 percent. Wing prices, at \$1.22 per pound, were 4 percent higher. With low stock levels and lower production through third-quarter 2014, turkey part prices are expected to continue to experience upward pressure.

Table Egg Production Continues Higher

The size of the table egg production flock continued to be well above the previous year. In June, the flock averaged 295 million birds, 2.1 percent higher than the previous year. The number of hens in the table egg flock was between 0.8 and 2.4 percent higher than the previous year through the first half of 2014. During this time, the hens produced 3.5 billion dozen eggs, up 2.6 percent from first-half 2013. Table egg production is expected to continue higher in the second half of 2014, with production forecast at 3.6 billion dozen, 2.9 percent higher than the previous year.

The number of broiler-type hens producing eggs for hatching was about the same as in May, with June's estimate at 54 million birds, 1.4 percent higher than in June 2013. Over the first half of 2014, the number of broiler-type hens producing hatching eggs averaged 53 million, about 1.6 percent higher than during the same

period in 2013. However, the rate of lay has declined, averaging 2 percent lower than the previous year and resulting in a slight decline (0.6 percent) in the number of broiler-type eggs produced for hatching. The production of eggs for hatching is expected to trend upward over the second half of 2014 and finish the year at 1.1 billion dozen, an increase of just under 1 percent.

Wholesale prices in the New York market for one dozen grade A large eggs in second-quarter 2014 averaged \$1.35 per dozen, an increase of 23 percent from the previous year. During July, weekly prices moved as high as the upper \$1.40's per dozen, but by the beginning of August prices had retreated somewhat and were averaging in the mid-\$1.20's per dozen. Even with table egg production expected to increase in the second half of 2014, prices are expected to be higher than or about equal to a year earlier. Wholesale prices in the New York market for a dozen Grade A large eggs are forecast at \$1.28-\$1.32 per dozen in third-quarter 2014 and \$1.40-\$1.48 in the fourth quarter.

U.S. Broiler Shipments Down in June

Broiler shipments in June 2014 decreased 3.2 percent from a year earlier, totaling 619.9 million pounds. Top export partners in June included Mexico, Russia, Taiwan, Angola, and Canada, with Mexico leading with 150.3 million pounds shipped in June. The second highest U.S. export market was Russia, with 59.4 million pounds shipped, followed by Taiwan with 33.6 million pounds. Angola and Canada finished fourth and fifth, with exports totaling 33.3 and 26.7 million pounds, respectively. Destinations with significant quantity increases in U.S. broiler shipments in June 2014 included Taiwan and Mexico. The increase for Taiwan was 21.1 million pounds, 168.4 percent over last year. For Mexico it was 19.0 million pounds, a 14.5-percent increase over June of last year. There were significant drops in shipments to Russia, Turkey, and Angola (to which exports were over 9.8 million pounds less than in June last year). Russia declined the most, with 17.4 million pounds less in shipments than last year's June total, a drop of 22.7 percent. In August, the Russian Government announced a 1-year ban on agricultural products from several countries, including the United States. While less than in prior years, Russia has remained a large destination for U.S. broiler exports. On a year-to-date basis, 7.5 percent of U.S. broiler shipments have been sent to Russia. It is anticipated that a share of the product that would have gone to Russia will be now absorbed by other markets, especially if the additional supply leads to downward pressure on leg quarter prices. The USDA forecasts 7.219 billion pounds of broiler exports for 2014, a 137-million pound decrease from July's forecast. The USDA forecasts 7.315 billion pounds of broiler exports for 2015, a 160-million pound decrease from July's forecast.

Turkey Shipments Up in June

Turkey shipments totaled 69.8 million pounds in June 2014, an increase of 9.7 percent from a year ago. The United States shipped 48.6 million pounds of turkey meat to Mexico in June 2014, an increase of 46.3 percent from a year earlier, amounting to 69.6 percent of all shipments. Shipments to China had a large drop from 6.9 million pounds last year to 3.7 million pounds this June, a 46.8-percent decrease. Exports to South Africa also had a large drop; June 2014 shipments to South Africa were only 587 thousand pounds compared with June 2013 shipments of 2.5 million pounds, a 76.4-percent decline. The current forecast for turkey exports is 736 million pounds for 2014, an increase of 18 million pounds since July's forecast, and 750 million pounds for 2015.

Egg and Egg Product Shipments Declined in June

Egg and egg product shipments in June 2014 were down 10.8 percent from a year ago. On a shell egg basis, a total of 30.1 million dozen eggs were shipped. Despite a decline of 7.9 percent in U.S. egg and egg product shipments since last June, Mexico remains one of the largest destinations for these products, with 10.0 million dozen eggs shipped in June 2014. Mexico was followed in June by Canada, where U.S. shipments totaled 6.4 million dozen eggs, an increase of 19.4 percent. The 2014 forecast for egg and egg product exports is 338 million dozen. The 2015 forecast is 320 million dozen.

Feed and Milk Prices Favor Higher Production; Exports Will Likely Decline Next Year; Current-Year Domestic Butter Prices Soar on Tight Stocks.

Record corn yields due to excellent growing conditions have led to a record production forecast of 14.0 billion bushels. Higher forecast production lowers the 2014/15 corn price forecast from last month to \$3.55-\$4.25 per bushel. The soybean supply and use balance for 2014/15 is changed fractionally on slightly higher production. The soybean meal price forecast for the 2014/15 year is lowered from last month to \$340-\$380 per ton. The attractive feed and milk prices have provided an incentive for producers to raise milk production. Forecast milk cow numbers are unchanged from July at 9.26 million head for 2014 and 9.34 million head next year. High replacement heifer prices and strong cull cow prices may have dampened the expansion. Milk per cow is increased from July for both this year and next to 22,250 and 22,760 pounds, respectively, based on relatively lower feed costs and improved forage in much of the Country. Milk production is increased slightly from July to 206.0 billion pounds in 2014 and to 212.5 billion pounds next year.

Fat-basis milk equivalent imports are raised by 200 million pounds for August to 3.7 billion pounds for this year and by 100 million pounds to 3.6 billion pounds for 2015, based on high U.S. butterfat prices relative to world prices. The skim-solids import forecasts are unchanged from last month at 5.2 billion pounds in 2014, falling to 5.1 billion pounds next year.

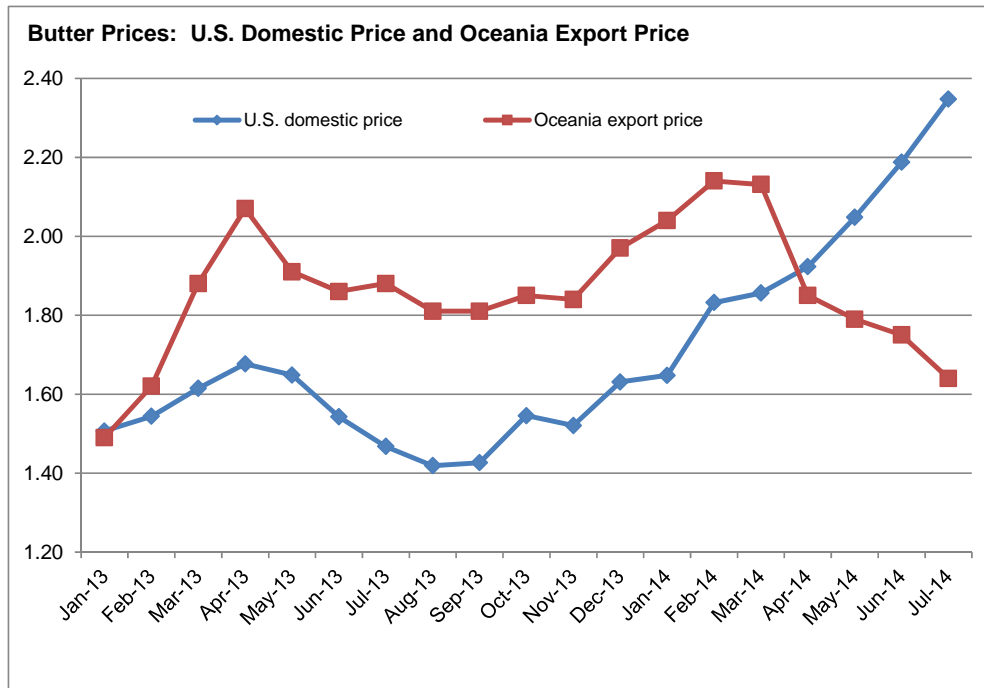
Fat-basis exports are lowered to 12.8 billion pounds for 2014, based on lower shipments of butter and cheese. Fat-basis exports are lowered this month to 11.8 billion pounds for 2015. Butterfat exports in June were well below year-earlier levels as U.S. prices are uncompetitive with world prices. Russia's announced ban on agricultural imports from a number of dairy-exporting countries, including the United States, will likely increase competition for sales to other markets. Although U.S. dairy exports to Russia are small, Russia has been a large destination for butterfat exports from the European Union (EU) and has accounted for nearly a third of EU cheese exports in recent years. Current-year skim-solids exports are bumped up from last month to 40.6 billion pounds on the basis of nonfat dry milk (NDM) and whey exports, which continue to exceed expectations despite strong world competition. Skim-solids exports are lowered slightly to 39.0 billion pounds in 2015 on continued strong global milk production and increasing global competition.

Fat-basis ending stocks are raised slightly in August for 2014 on higher milk production, although stocks are lower on a year-over-year basis. Fat-basis ending stocks are unchanged from July 2015 as continued strong domestic use is expected to absorb increased milk production. Skim-solids ending stocks are forecast unchanged from July for this year and are expected to climb slightly next year on higher production and lower retreat.

Product price projections for cheese, butter, NDM, and whey are raised from July on continued strong domestic and world demand. Cheese prices are forecast at

\$2.050-\$2.070 per pound for the current year but are unchanged from July at \$1.670-\$1.770 a pound for 2015. Butter prices are record-high, and U.S. domestic prices have charged ahead of world prices. Butter prices are projected at \$2.040-\$2.080 this year and for 2015 are forecast higher this month than July's projection at \$1.655-\$1.785 a pound; however, the forecast represents a sharp year-over-year decline as butter stocks will likely build by year-end. The NDM price is expected to be \$1.845-\$1.865 a pound in 2014 and to fall to \$1.605-\$1.675 next year as the domestic price begins to reflect recent declines in the Oceania butter price. NDM exports continue apace, supporting the high price this year, but prices are expected to weaken next year. Exports are also contributing to stronger prices for whey, which is forecast at 64.0-66.0 cents a pound this year. Lower exports will lead to whey prices softening next year to an average 56.5-59.5 cents a pound.

Milk prices follow the pattern of the dairy product prices, high this year and falling in 2015. Class III milk prices for 2014 are increased from July to \$21.25-\$21.45 per cwt this year and to \$17.00-\$18.00 per cwt in 2015. However, on a year-over-year basis, prices are sharply down on lower export prospects and higher expected milk production. Current-year Class IV prices were raised this month to \$22.35-\$22.65 per cwt and are then expected to fall to \$18.70-\$19.80 per cwt in 2015, an unchanged forecast from July. The all milk price is forecast at \$23.55-\$23.75 per cwt, an increase from the July forecast. Next year, the all milk price is expected to slip to \$19.75-\$20.75 per cwt, unchanged from last month's forecast.



Source: USDA/AMS

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Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

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

Related Websites

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

	2011					2012					2013					2014					2015		
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	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	6,445	6,065	24,561	5,650	6,375	24,325
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	5,460	6,030	22,779	5,655	5,450	23,280
Lamb and mutton	36	40	36	37	149	39	39	39	40	156	38	41	40	38	156	37	43	38	37	155	38	37	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	9,616	9,825	9,675	38,399	9,480	9,915	39,345
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	1,450	1,500	5,711	1,400	1,475	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	22,933	23,383	23,463	92,234	22,373	23,417	93,667
Table eggs, mil. doz.	1,625	1,634	1,647	1,693	6,598	1,666	1,661	1,685	1,741	6,754	1,686	1,698	1,725	1,773	6,882	1,722	1,751	1,775	1,825	7,073	1,755	1,775	7,150
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	14.0	13.1	54.2	12.5	14.1	53.4
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	11.1	12.2	45.6	10.9	10.9	46.0
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	0.9
Broilers	21.5	21.4	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.1	20.3	21.0	20.5	81.9	20.2	20.9	21.2	21.1	83.4	20.6	21.6	84.8
Turkeys	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.7	3.6	4.0	4.8	16.0	3.4	3.5	3.9	4.9	15.7	3.3	3.5	15.9
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	50.8	51.9	201.4	47.9	50.7	202.5
Eggs, number	61.1	61.2	62.2	63.4	247.9	62.6	61.5	62.5	64.2	250.8	62.6	61.7	62.9	64.1	251.3	62.9	63.6	65.0	66.7	258.2	63.9	64.7	260.1
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	153-157	153-163	150-153	150-162	150-162	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	198-202	195-205	188-191	199-211	197-209	183-195
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	101-105	93-103	96-99	94-106	99-111	88-100
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	145-149	135-145	149-152	134-146	139-151	137-149
Barrows & gilts, N. base, Le. \$/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	85-87	77-81	79-81	72-78	75-81	72-78
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	102-106	99-105	103-106	100-108	102-110	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	106-110	109-115	105-108	98-106	100-108	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	128-132	140-148	136-139	132-142	117-127	124-134
U.S. trade, million lb																							
Beef & veal exports	633	702	766	683	2,785	558	625	650	620	2,452	557	637	716	680	2,590	583	667	700	670	2,620	575	650	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	645	575	2,584	645	700	2,600
Lamb and mutton imports	49	48	31	34	162	38	36	38	41	154	49	44	36	44	173	46	49	37	40	172	47	42	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	1,150	1,290	5,066	1,270	1,265	5,145
Pork imports	201	195	194	213	803	207	191	198	205	802	208	210	229	233	880	212	240	245	250	947	240	240	920
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	1,845	1,715	7,219	1,745	1,745	7,315
Turkey exports	159	171	173	199	703	180	184	216	217	797	179	182	197	201	759	163	188	190	195	737	180	185	750
Live swine imports (thousand head)	1,452	1,429	1,407	1,508	5,795	1,445	1,444	1,387	1,380	5,656	1,326	1,300	1,255	1,075	4,957	1,196	1,216	1,210	1,205	4,827	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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Updated 8/18/2014

Dairy Forecasts

	2013				2014					2015		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.) 1/	N/A	9,224	9,201	9,221	9,214	9,253	9,275	9,300	9,260	9,320	9,330	9,340
Milk per cow (pounds)	N/A	5,356	5,355	21,822	5,540	5,708	5,495	5,505	22,250	5,665	5,835	22,760
Milk production (bil. pounds)	52.0	49.4	49.3	201.2	51.0	52.8	51.0	51.2	206.0	52.8	54.4	212.5
Farm use	0.2	0.2	0.2	1.0	2.0	2.0	2.0	2.0	1.0	0.2	1.0	1.0
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.6	50.7	51.0	205.0	52.6	54.2	211.6
Milkfat (bil. pounds milk equiv.)												
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.6	50.7	51.0	205.0	52.6	54.2	211.6
Beginning commercial stocks	15.1	16.9	14.3	12.2	11.2	12.8	13.3	12.6	11.2	10.9	13.0	10.9
Imports	0.9	0.9	0.9	3.7	0.8	0.8	0.9	1.1	3.7	0.9	0.9	3.6
Total supply	67.8	66.9	64.2	216.2	62.8	66.2	64.9	64.6	219.9	64.4	68.1	226.1
Commercial exports	2.9	3.6	3.4	12.4	3.9	3.5	2.9	2.5	12.8	2.5	2.9	11.8
Ending commercial stocks	16.9	14.3	11.2	11.2	12.8	13.3	12.6	10.9	10.9	13.0	14.5	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	47.9	49.0	49.6	192.6	46.2	49.3	49.4	51.3	196.2	48.9	50.6	202.3
Skim solids (bil. pounds milk equiv.)												
Milk marketings	51.8	49.2	49.0	200.2	50.8	52.6	50.7	51.0	205.0	52.6	54.2	211.6
Beginning commercial stocks	13.6	14.2	12.4	12.4	11.7	12.7	13.3	12.3	11.6	12.0	12.6	12.0
Imports	1.2	1.1	1.5	5.3	1.4	1.2	1.2	1.3	5.2	1.3	1.2	5.1
Total supply	66.5	64.4	62.9	217.9	63.9	66.5	65.3	64.6	221.9	65.9	68.0	228.7
Commercial exports	10.6	10.4	9.3	38.5	9.8	11.0	10.2	9.6	40.6	9.4	10.1	39.0
Ending commercial stocks	14.2	12.4	11.7	11.7	12.7	13.0	12.3	12.0	12.0	12.6	13.0	12.4
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.8	41.7	42.0	167.7	41.4	42.2	42.8	43.0	169.3	43.9	45.0	177.3
Milk prices (dol./cwt) 2/												
All milk	19.57	19.60	21.50	20.05	24.53	24.23	23.60	21.85	23.55	20.65	18.95	19.75
							-23.90	-22.45	-23.75	-21.55	-19.95	-20.75
Class III	18.04	17.81	18.67	17.99	22.61	22.75	21.00	18.70	21.25	16.60	16.85	17.00
							-21.30	-19.30	-21.45	-17.50	-17.85	-18.00
Class IV	18.62	19.13	20.74	19.05	23.10	23.04	22.95	20.40	22.35	18.20	18.50	18.70
							-23.35	-21.10	-22.65	-19.20	-19.60	-19.80
Product prices (dol./pound) 3/												
Cheddar cheese	1.780	1.761	1.847	1.768	2.213	2.187	1.990	1.805	2.050	1.625	1.650	1.670
							-2.020	-1.865	-2.070	-1.715	-1.750	-1.770
Dry whey	0.575	0.579	0.576	0.590	0.630	0.677	0.670	0.600	0.640	0.555	0.565	0.565
							-0.690	-0.630	-0.660	-0.585	-0.595	-0.595
Butter	1.622	1.438	1.566	1.545	1.779	2.053	2.320	2.005	2.050	1.720	1.655	1.655
							-2.380	-2.095	-2.080	-1.840	-1.785	-1.785
Nonfat dry milk	1.619	1.769	1.893	1.707	2.067	1.920	1.770	1.630	1.845	1.515	1.585	1.605
							-1.800	-1.680	-1.865	-1.585	-1.655	-1.675

1/ Starting in May, contains no data updates or analysis on milk cows or milk output per cow.

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

3/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm

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

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