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Livestock, Dairy, and Poultry Outlook

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Red Meat and Poultry Production Lower in 2012, Beef and Poultry Prices Higher

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Tables will be released on March 28, 2012.

The next newsletter release is April 16, 2012.

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Beef cow slaughter may be declining, and heifer retention to replace cows may be in early stages. Cattle feeding margins are improving for the short term, but packers are likely still seeing red. Retail prices may also be encountering some consumer resistance.

Beef/Cattle Trade: U.S. beef exports for 2012 are forecast at 2.76 billion pounds, fractionally below year-earlier levels. Export levels are expected to tighten in line with domestic beef production levels. U.S. beef imports are expected to be 9 percent higher this year than in 2011, a historically low year for beef import levels.

Pork/Hogs: Consumer demand remained solid in the first two months of 2012. Despite higher pork supplies, prices for hogs were year-over-year higher. Consumers paid year-over-year higher retail prices for larger supplies of pork in January. Pork exports in January were 36 percent higher than a year ago, with Japan, Mexico, and China the three largest destination markets. First-quarter prices for 51- to 52-percent live equivalent hogs are expected to be $63-$64 per cwt, almost 6 percent above the same period last year.

Poultry: Broiler meat production fell slightly in January. Broiler production for 2012 is estimated to be lower than a year earlier through the first three quarters of the year. The estimates for quarterly 2012 turkey meat production were increased from February, boosting total production to 5.9 billion pounds. Ending stocks for January showed whole turkey inventories up 30 percent. Table egg production rose in January and wholesale prices are expected to strengthen with the approach of the Easter holiday period.

Sheep/Lamb: Lamb and mutton production is expected to increase leading up to the Easter and Passover religious holidays. Choice Slaughter lamb prices at San Angelo have declined slightly despite tight supplies. Looking ahead, prices could be negatively impacted by the increasing number of overfinished lambs that are currently in the system.

Dairy: Milk cow estimates were raised again this month; although herd size contraction is still expected later in 2012. Milk per cow was also raised above earlier forecasts based on the mild winter weather conditions. The milk production forecast was likewise increased. Weaker producer returns are expected to lower both cow numbers and yield per cow later in 2012. Milk prices, already forecast lower than 2011, were lowered further based on the higher forecast milk production for 2012**.**

Beef/Cattle

Early 2012 Weather Improved Over Last Year

The apparent transition of La Niña to a normal weather pattern should mean a lessening of the drought conditions in the Southern and Southwestern United States, but drought conditions persist in these areas and farther south in Mexico. The result is continuing year-over-year increases in U.S. feeder cattle imports from Mexico. Those increases were 22 percent through March 10, 2012 (cumulative total of weekly USDA, Agricultural Marketing Service (AMS) data, AL_LS625). A more normal corn crop is anticipated this year, which should help reduce cattle feeding costs this fall and in 2013.

As often happens when feeder cattle prices reach high levels, veal calf slaughter declined rapidly during the last 2 months. December 2011 and January 2012 exhibited year-over-year declines of 6 percent overall, with the largest declines in bob vealers and non-formula-fed 150- to 400-pound calves. Even though veal production accounts for only about half of 1 percent of total U.S. beef and veal production, these declines reflect the value of live dairy calves at today's feeder calf prices, which are more than 20 percent higher year over year.

Total cow and bull slaughter continues to account for over 20 percent of federally inspected slaughter, but it appears to be declining from higher shares observed last year and earlier this year (USDA, AMS, *Daily National Carlot Meat Reports*). A decline in beef cow and bull slaughter this time of year is consistent with seasonal patterns, but may also indicate an end is in sight to the heavy cow slaughter of the last few years and to the liquidation phase of the current cattle cycle.

There have also been reports of feeder heifers selling at premiums to same-weight steers. If the premiums were not isolated incidents, accounted for by differences in quality or body condition, this could be a sign that heifer retention for cow-herd replacements is underway. If heifer retention increases significantly—barring droughts or other abnormalities—the smaller numbers of heifers available for feeding would exacerbate the shortage of feeder cattle for placement in feedlots that is expected for several years, perhaps into 2015 or beyond.

Fed cattle prices in the upper $120s per cwt and breakeven levels in the $130s will likely result in negative margins for cattle feeders for the next few months. With feeder cattle prices escalating more rapidly than fed cattle prices, breakeven levels may also continue to climb upward. Breakeven levels for cattle to be marketed in May 2012 are already projected in the $136-plus per cwt range (High Plains Cattle Feeding Simulator, http://www.ers.usda.gov/publications/ldp/LDPTables.htm).

Fed cattle prices at current levels imply retail prices which will average above the most recent $5.09 per lb for January 2012 Choice retail beef (http://www.ers.usda.gov/data/meatpricespreads/). It remains to be seen whether retail consumers will curb their demand at these levels; there are signs that these high prices are already prompting resistance.

Live and dressed weights of fed cattle are increasing counter-seasonally due in part to the favorable weather for feeding cattle during the last several months. Another factor is likely the extra weight gain from extra time on feed due to reduced steer and heifer slaughter as packers try to bring down fed cattle prices.

Beef/Cattle Trade

U.S. Beef Exports Fractionally Lower in 2012, Imports 9 Percent Higher

U.S. beef exports for 2012 are forecast at 2.76 billion pounds, fractionally below the 2011 export level. Quarterly growth in exports is anticipated in the first half of the year, with growth levels diminishing as the year progresses and domestic beef supplies become tighter. Growth of over 8 percent is anticipated in the first quarter of this year, with 685 million pounds exported. Export levels in the second quarter are expected to total 735 million pounds, or nearly 5 percent higher than the same period last year. Total U.S. beef production levels are expected to be 1.7 and 2.2 percent lower in the first and second quarters of this year, respectively. In the second half of the year, however, beef production will be 5.3 and 8.5 percent lower for the third and fourth quarters, and beef exports are expected to be 9 and 6 percent lower, respectively, in those quarters.

Imports of beef to the United States are expected to post substantial growth (9 percent) above the historically low import level of 2011; the forecast is for 2.2 billion pounds of beef to be imported this year. Quarterly growth estimates range from 4 to 15 percent, with the strongest growth expected in the first quarter of this year. However, import levels for the first quarter in 2011 were among the lowest on record in the past 2 decades. Strong growth is also anticipated for the final quarter of 2012.

Hogs/Pork

Solid Domestic Pork Demand Continues

Through early March, production and most price data suggest that solid pork demand continues, even in the face of no-nonsense increases in hog slaughter and pork production in January and February. Average prices of live equivalent 51-52 percent hogs were $62.18 per cwt in January (11.9 percent above January 2011) and $63.94 per cwt (3.8 percent above February 2011). Retail pork prices in January averaged $3.50 per pound, 7.8 percent greater than a year ago. January retail pork prices were accompanied by data indicating a record-high wholesale-to-retail spread (202.6) suggesting that retailers were successful in shifting at least part of their 1.1 percent year-over-year higher wholesale pork costs to retail consumers, who appeared willing and able to pay higher retail prices for pork.

Solid domestic pork demand is further reflected in quarterly disappearance estimates. USDA supply forecasts for the first quarter of 2012 point to a 2-percent increase in total pork supply. Accounting for estimates of first-quarter exports and ending stocks leaves total domestic pork disappearance 1.4 percent ahead of first-quarter 2011. So far in the first quarter, then, U.S. consumers appear to be paying more for larger quantities of pork. First-quarter per capita pork disappearance is forecast at 11.5 pounds per capita, 0.49 percent larger than a year ago.

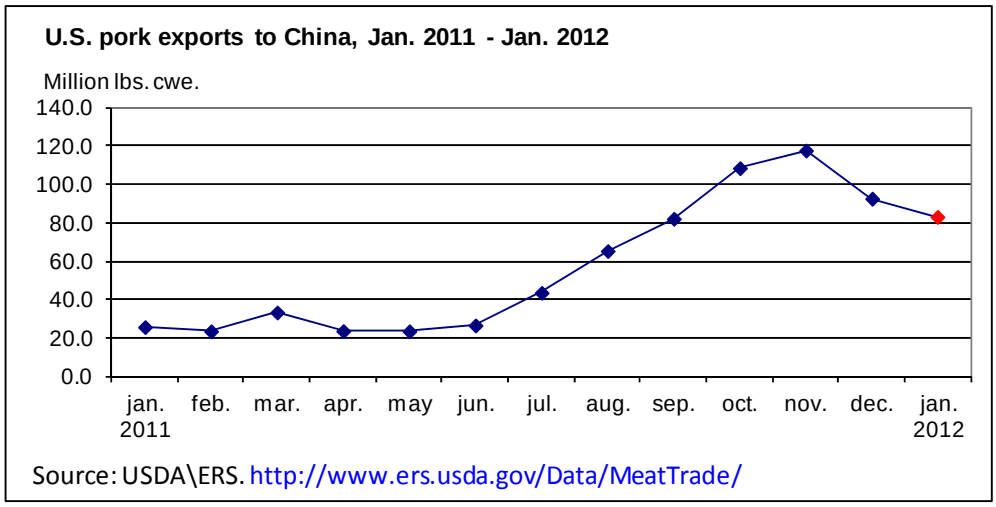
As a counterbalance to higher hog prices and indications of continued strong domestic pork demand, USDA data shows that pork stocks are building ahead of year-ago levels and that wholesale values of most pork cuts have traded at below-year-ago levels since late January. Stocks of pork at the end of January were 584 million pounds. While significantly higher than a month earlier, the year-over-year increase in total pork stocks was about the same as in January 2011. The February wholesale value of the pork carcass—$84.44 per cwt—was almost 5 percent below a year ago. However, good availability of pork cuts and relatively low prices are expected to attract buyers' attention, given that both beef and broiler production and domestic disappearance are expected to be year-over-year lower for most of 2012. With retail beef prices expected to remain over $5 per pound in 2012, and with 2012 composite chicken prices expected to average almost 5 percent above last year, pork as an alternative animal protein looks better and better.

First quarter prices of live equivalent 51-52 percent lean hogs are expected to average $63-$64 per cwt. For 2012, prices will likely average $63-$67 per cwt. USDA/NASS will release the *Quarterly Hogs and Pigs* on March 30, which will report March 1 swine inventories, as well as producer's farrowing intentions.

2012 Pork Exports Off to a Strong Start

Pork exports in 2012 started off with a bang: January exports of 502 million pounds were 36 percent above a year ago. See the table below, which sets out the top five foreign destinations for U.S. pork exports in January. With good reason, U.S. pork exports to China garner much attention because of the country's population and its potential as a buyer of U.S. pork products. The figure shows U.S. exports to

China since January 2011. The data in the figure show an export peak in November 2011 and an ongoing decline, as the small number of relatively large Chinese orders placed last year are filled and shipped.



U.S. pork exports: Five largest destinations, January 2012

Rank	Country	Jan. 2012 (million lbs. cwe)	Jan. 2011 (million lbs. cwe)	% change
	World	501.9	368.9	36.1
1	Japan	127.6	107.2	19.1
2	Mexico	115.6	99.9	15.7
3	China	82.9	25.9	220.3
4	S. Korea	46.1	35.0	31.4
5	Canada	45.8	30.3	51.0

Source:USDA\ERS. http://www.ers.usda.gov/Data/MeatTrade/

The export data in the table show that China was the third-largest foreign destination for U.S. pork in January. These data also suggest that exports to Japan and Mexico helped drive January U.S. export numbers into the stratosphere. It is worth noting that shipments to South Korea were more than 31 percent over year ago, and exports to Canada increased 51 percent. South Korea is still recovering from foot and mouth disease problems, with the Government of South Korea extending zero-duty tariff rate quotas for certain cuts during the first quarter of 2012. Canada's strong dollar is likely fueling Canadian demand for relatively cheap U.S. pork products.

Poultry

Broiler Production Falls Slightly in January, First-Quarter Estimate Revised Upward

Broiler meat production for January 2012 was reported at 3.09 billion pounds, down only 1 percent from the previous year. The decrease was the result of small decline in the number of birds slaughtered and the average live weight at slaughter. The decline in the number of birds slaughtered was less than expected. The total number of birds slaughtered was 706 million, down 1 percent from January 2011, and the total liveweight of broilers at slaughter declined by 1 percent. The average liveweight at slaughter was 5.84 pounds, a decline of .01 pounds per bird (0.3 percent) from the previous year.

The broiler meat production estimate for first-quarter 2012 was increased by 150 million pounds to 8.85 billion pounds, a decrease of 5 percent from a year earlier. This is the result of January's stronger than expected broiler meat production and an assumption that the slaughter trend will carry into February and March. Some of the production decrease is expected to come from a smaller number of birds slaughtered, but part of that decrease is expected to be offset by small gains in average weights at slaughter throughout the remainder of the first quarter and into the second. Based on the expectation of slightly higher weights, the meat production estimate for the second quarter was also increased and now is expected to total 9.05 billion pounds.

In the NASS *Poultry Slaughter 2012 Summary*, there were some revisions to broiler meat production and slaughter numbers for 2010 and 2011. The revisions for 2010 were very small, but the revisions to 2011 production added about 25 million pounds to overall production and boosted the 2011 total to 37.2 billion pounds.

Weekly estimates of broiler eggs in incubators and chick placements from the NASS *Broiler Hatchery Report* point toward continuing decreases in the number of birds available for slaughter. Over the last 5 weeks (February 4 to March 3), the number of eggs placed in incubators has averaged 195 million, 5.5 percent below the same period the previous year. The incubation period for broiler eggs is 3 weeks and then chicks are placed for growout. Over the last 5 weeks, the number of chicks placed for growout (an average of 162 million per week) has been 3.9 percent lower than the previous year. Chicks placed for growout in early- to late-March will likely be ready for slaughter in late April to mid-May based on an average 7- to 8-week growout period.

With lower production in fourth quarter 2011 and lower production forecast for first-quarter 2012, wholesale prices for most broiler products are expected to continue to gradually increase. Over the first 2 months of 2012, the 12–City whole broiler price averaged $0.84 per pound, up almost 15 percent from the same period in 2011, and by the beginning of March prices had risen to over $0.90 per pound. Prices for other broiler products are also higher. Prices for boneless/skinless breast meat in the first 2 months of 2012 averaged $1.27 per pound, up almost 10 percent from same period the previous year. Prices for rib-on breasts averaged $1.00 in January and February, up 20 percent, and like boneless/skinless breasts prices, prices for rib-on breasts have been moving higher for the last several months. Even though a large decline in exports is expected in first-quarter 2012 compared with

fourth-quarter 2011, prices for leg quarters averaged $0.53 per pound in the first 2 months of 2012, up sharply (41 percent) from the same period in 2011. Even broiler wing prices have remained strong, falling only slightly from their normal seasonal high in late January. During January and February of 2012 the averaged price for broiler wings was $1.83 per pound, a sharp increase of almost 90 percent from the same period in 2011.

The NASS *Annual Cold Storage Report* contained only minor adjustments to ending stocks for 2011, which are estimated at 590 million pounds, 24 percent below those of the previous year. The decline in stocks was the result of both lower production in the fourth quarter and continued strong exports. Lower broiler meat production over the second half of 2011 pushed broiler stock below year-earlier levels starting in August 2011 and continuing through January 2012.

Stocks of broiler products at the end of January 2012 were 576 million pounds, 22 percent lower than the previous year. Stocks of almost all broiler products were well below their previous-year levels. The only exceptions were stocks of drumsticks. Stocks of drumsticks totaled 25.7 million pounds, over 50 percent higher than the previous year. Although paws are not included in the broiler meat supply and use calculations, stocks of paws totaled 32.2 million pounds and were 21 percent above year-earlier levels. Stocks of paws have been higher due to lower exports as duties imposed by China, the only main export market, have increased prices. With very strong exports in the second half of 2011, stocks of leg quarters totaled only 83 million pounds, down 36 percent from January 2011. Ending stocks for first-quarter 2012 are forecast at 550 million pounds, a decrease of 17percent from the previous year. Ending stocks are expected to be below year-earlier levels for the first three quarters of 2012 and move slightly higher in the fourth quarter as production begins to increase.

Broiler Exports Totaled 506 million Pounds in January

Broiler exports in January were 9 percent higher than the previous year, totaling 506 million pounds. Most of the increase was due to higher shipments to a number of countries that are normally small importers. Exports to Mexico continue to be very strong, totaling 88.7 million pounds 4.5 percent higher than a year earlier. Shipments were also up strongly to Taiwan and Cuba, totaling 30.2 and 27.0 million pounds, respectively. The gains to these countries were partially offset by declines to several countries such as Hong Kong, Angola, and Guatemala.

In 2011, total U.S exports of broiler products totaled 6.99 billion pounds, 3.3 percent higher than the previous year. Most of the growth was due to record shipments in third-quarter 2011, totaling fractionally less than 2 billion pounds. Although shipments to Canada during 2011 rose by 12 percent, much of the growth in shipments was to Asian countries. Exports to the Philippines, China, Korea, Hong Kong, and Japan all increased more than 20 percent from the previous year, totaling almost 1.2 billion pounds or around 17 percent of all broiler exports. Although exports to Mexico rose by only 4.2 percent, the gain was enough to increase shipments to that country to over 1 billion pounds.

Turkey Production Forecast for 2012 Increased

Hatchery data showed that the number of poults being placed during the second half of 2011 was higher in 4 out of 5 of the last months and that it was again higher (4.6 percent) in January. Poult placements are expected to remain above the previous year as the number of turkey eggs placed in incubators has been higher than the previous year at the beginning of both January and February. With expected increases in poult placements, the turkey meat production estimates for 2012 was increased somewhat in all four quarters with the total for 2012 rising to 5.92 billion pounds, up 2 percent from 2011. First-quarter 2012 turkey meat production is now forecast at 1.4 billion pounds, up slightly from the previous year, with stronger increases expected later in the year as turkey producers raise production in response to the strong prices for whole birds that existed throughout 2011 and into 2012. The higher production is expected to come primarily from more birds being slaughtered, but a small increase in average liveweight at slaughter is also expected.

Turkey meat production in January 2012 totaled 477 million pounds, an increase of 3 percent from the previous year and January 2011 was over 9 percent higher than January 2010. The increase in production was the result of both a higher number of turkeys being slaughtered (up 2.9 percent) and a small increase in the average weight of birds at slaughter to 30.9 pounds (0.3 percent higher). Year-over-year increases in production are expected to continue in both February and March, with production during first-quarter 2012 expected to be about 1 percent higher than a year earlier. Growth in turkey meat production is expected to continue throughout the remainder of 2012 as higher prices provide the incentive for higher production.

Turkey Stocks 17 Percent Higher

The estimate of turkey stocks at the end of January 2012 was 298 million pounds, up 17 percent from the previous year. The increase in cold storage holding stems from higher holdings in a number of the categories reported for turkey. At the end of January 2012, whole birds stocks were estimated at 109 million pounds, up 30 percent from the same period in 2011. Stock levels also were sharply higher for legs, increasing to 22 million pounds, up 122 percent from a year earlier. Stocks of "Other" turkey parts increased to 38.5 million pounds at the end of January, 45 percent higher than the previous year. One exception to these increases was in the stocks of breast meat which were down 8 percent to 51million pounds. There were also some small upward revisions to ending turkey stocks for 2011, now estimated at 211 million pounds, up 5 million pounds from the original estimate and 10 percent higher than the previous year.

Even with an increase in the stocks of whole birds at the end of 2011 and into 2012 and less than ideal economic conditions, prices for whole birds have remained strong. Whole-bird prices were well above the previous year throughout 2011 and this pattern has continued into 2012. Over the first 2 months of 2012, whole turkey prices continued above year-earlier levels. Prices for frozen whole hens in February averaged $1.00 per pound, 11 percent higher than at the same time in 2011, which in turn was almost 20 percent higher than in January 2010. Prices for frozen whole hens are forecast to remain above year-earlier levels through the first three quarters of 2012. Prices for most turkey parts were at or slightly higher than the previous year in January. Two turkey cuts that had strong increases were thighs and mechanically separated meat. Thigh meat prices in January were $1.47 per pound,

up 12 percent from the previous year. Mechanically separated meat was $0.33 per pound in January, 14 cents higher (72 percent) than a year earlier. Prices for mechanically separated meat were also sharply higher than the previous year throughout the second half of 2011, boosted by strong gains in exports, which were 21 percent higher in 2011.

Turkey Exports Continue Higher

In January 2012, turkey product exports totaled 54.7 million pounds, up 15 percent from the previous year. Higher shipments to Mexico were a main factor in the increase, totaling 34 million pounds, 17 percent higher than the previous January. The strength in exports is surprising considering the higher prices for whole birds and most turkey parts in the domestic market. Exports were also stronger to both Hong Kong and Canada.

In 2011, total turkey exports were 703 million pounds, up almost 21 percent from 2010, driven by sharp increases to Mexico. In 2011, U.S. turkey exports to Mexico totaled 399 million pounds, up 24 percent from the previous year and equaling 57 percent of all U.S. turkey exports. China and Hong Kong were the second- and third-largest markets for U.S. turkey exports totaling 83 and 38 million pounds, respectively. Shipments to China were 11 percent higher than the previous year, while shipments to Hong Kong rose by 53 percent. Shipments to both these markets were likely influenced by high duties imposed by China on imports of U.S. broiler products.

Table Egg Production Up in January

Table egg production in January was 565 million dozen, up 0.7 percent from the previous year. Table egg production has been higher in the last 5 months, although in the last 2 months the number of hens in the table egg flock has been even with or slightly lower than the previous year. The table egg flock numbered 284.2 million birds in January, marginally higher than the previous year, but slightly lower than the previous month. The table egg flock is expected to continue about even with or slightly higher than the previous year for most of 2012, which is expected to result in a small increase in table egg production in 2012. Table egg production is forecast at 1.635 billion dozen in first-quarter 2012, 0.7 percent higher than the previous year. Overall production for 2012 was revised downward to 6.62 billion dozen, which would be a small increase (0.4) percent from 2011. The NASS *Annual Chicken and Egg Report* contained revisions to table egg production in 2010 (to 6.547 billion dozen) and 2011 (to 6.590 billion dozen).

While table egg production was rising slightly in January, hatching egg production continued to be sharply lower, with production falling to 87 million dozen, down 4.8 percent from a year earlier. The declines in hatching egg production over the last 7 months was the result of lower production of meat-type hatching eggs as production of egg-type hatching eggs has been higher, especially in the last 3 months. Hatching egg production during the first three quarters of 2012 is expected to be down from a year earlier, but it is expected to expand slightly as broiler production increases in the fourth quarter. As with table eggs, the NASS *Annual Chicken and Egg Report* contains some revisions to hatching egg production in both 2010 and 2011. In both cases, the revisions were 10 million dozen higher than the previous estimates.

Wholesale table egg prices were relatively strong in January 2012, at $1.08 per dozen, Grade A large. This is about even with the previous year, but a decrease of almost $0.36 per dozen from the previous month. Table egg prices remained at about $1.02 per dozen throughout most of February and into the beginning of March. With Easter relatively early this year (April 8), egg prices are expected to move upward through the end of March and then decline seasonally. The estimate for first-quarter 2012 egg prices was lowered to $1.09 to $1.11 per dozen, well below the average for the previous quarter, but up about 4 percent from the previous year. With a small expansion expected in table egg production, egg prices for 2012 are expected to average $1.10 to $1.15 per dozen, which would be about 11 percent lower than the previous year.

Egg Exports Expand in 2011

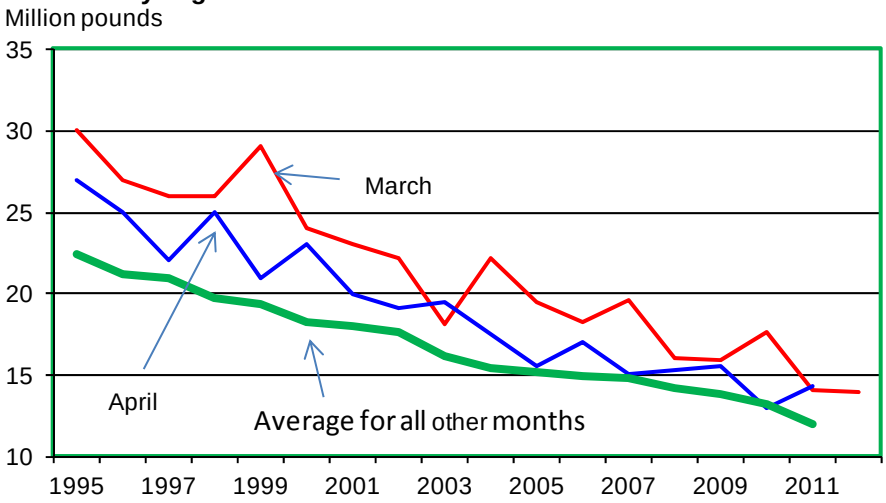
Egg exports in 2011 rose to 275.4 million dozen, up 6.6 percent from a year earlier. Much of the growth was due to higher shipments to a number of Asian markets. Exports to Canada declined by 11 percent, and Japan became the largest overall market for U.S. eggs and egg products. Although shipments to Canada fell, strong gains to Japan and Mexico more than offset the decline. Exports to Mexico totaled 19.1 million dozen, 29 percent higher than the previous year. In Asia, the biggest gains were from larger shipments to South Korea, Japan, and Hong Kong. Together, these three countries accounted for 104 million dozen of U.S. egg and egg-product exports, 47 percent higher than the amount they imported in 2010. The value of egg exports increased even faster, with shipments totaling $408 million, an increase of 14 percent from the previous year.

Sheep/Lamb

Lamb and Mutton Production Expected To Show Strength Leading Up to the Religious Holidays

In the first quarter of 2012, commercial production of lamb and mutton are forecast at 38 million pounds, 5 percent higher than the same period in 2011. Although Easter and Passover will be in early April, most of the lamb production in anticipation of these holidays will take place in March. Typically, lamb demand exhibits some seasonality and is highest ahead of these religious holidays. As a result, despite declining annual lamb and mutton production and relatively low production in January and February, increases are expected in the weeks leading up to the holiday season in expectation of the higher demand. Commercial lamb and mutton production in March has been consistently higher than in any other month of the year.

March commercial lamb and mutton production has been consistently higher than other months



Source: Livestock Slaughter, National Agricultural Statistics Service, USDA, Various Issues, 1995-2012

Choice Slaughter lamb prices at San Angelo have declined slightly despite tight supplies. Since 2011, one of the best years on record, Choice slaughter lamb prices have continued to remain relatively firm, with first-quarter 2012 prices expected to be $145-&146 per cwt, slightly below fourth-quarter 2011.

A number of factors may be contributing to the strong prices. The first factor relates to global supply and demand issues. Australia and New Zealand have been major suppliers of lamb and mutton, but both countries have seen declines in the number of animals that they slaughter each year. A similar decrease has occurred in the United States in the past year. Declining sheep inventory has resulted in tight supplies and reduced slaughter numbers. In addition, high lamb and mutton prices have resulted in increased retention.

A second factor in the strong prices for lamb is exchange rate conditions, which have also made the U.S. lamb and mutton market very competitive. The weak U.S. currency relative to that of countries such as Australia has made U.S. exports very attractive. In 2011, lamb and mutton exports were up 19 percent from the previous year. Exports in January 2012 totaled 1.5 million pounds, slightly above the same period in 2011.

However, looking ahead, prices could be negatively impacted by the increased number of over-finished lambs that are currently in the system. Slaughter weights have jumped in recent months, with dressed weights for January and February 2012 averaging above 75 pounds. Overfinished animals tend not to grade well, and as a result they could lower average cutout values and ultimately affect prices. The overfinished problem appears to be exacerbated by the fact that expensive hay prices appear to be pushing lambs off pastures and into feedlots earlier than normal and increasing their average length of stay.

Imports in 2011 came in at 163 million pounds, 2 percent below the previous year. January 2012 imports were 11 million pounds, down 34 percent from the same period last year. Imports from New Zealand dropped considerably, down 54 percent from the same period last year, while imports from Australia were down 21 percent. The same relative currency strengths that have made U.S. exports attractive to foreign markets where the U.S. dollar is weaker than foreign currencies could be limiting the attractiveness of imports from Australia and New Zealand for U.S. markets. First-quarter 2012 imports are forecast at 47 million pounds, 6 percent below the same period in 2011.

Dairy

Milk Prices Lowered Further; Milk Production Expected To Exceed Earlier Forecasts

Feed prices are expected to be higher during 2012 than last year. The corn price is expected to average $5.90 to $6.50 per bushel for the 2011/12 crop year, an increase from the $5.18 average in 2010/11. Soybean meal prices are forecast higher than in February at $310 to $340 per ton, but lower than the $346 posted in 2010/11. The increase in the soybean meal price forecast this month is due to reduced supplies from South America. The higher feed prices expected this year will continue to pressure the milk-feed price ratio. The preliminary February milk-feed price ratio was 1.58, well below 2.01 posted in February 2011. This producer profitability indicator is unlikely to improve as the effect of higher feed prices will be exacerbated by forecast lower milk and dairy product prices this year.

The February *Milk Production* report showed January milk production 3.4 percent above January 2011 as both milk cow numbers and output per cow were above expectations (USDA, National Agricultural Statistics Service). Prices for replacement heifers, which will enter the herd during 2012 and into mid-2013, were also above expectations, suggesting that there is demand for dairy replacements and further expansion. Based on these facts, February's forecast cow numbers were increased this month to 9.2 million head for the year and production per cow was raised to 21.7 million pounds. Most of the gain in cow numbers is expected to come in the first half of 2012. The relatively mild winter temperatures in most of the United States were ideal for milk production, boosting yield per cow in the first half of 2012. However, weaker producer returns are expected to lead to herd contraction and lower milk per cow in the second half of the year. Milk production is forecast at 199.7 billion pounds this year, an increase over 2011 and a slightly higher than February's forecast.

Milk equivalent imports on a fats basis are forecast at 3.3 billion pounds and at 5.1 billion pounds on a skims-solids basis, both unchanged from February. Export forecasts likewise remain unchanged from February at 8.6 billion pounds and at 32.3 billion pounds on a fats and a skims-solids basis, respectively. Exports of most dairy products remain steady; however, butterfat movement is weak.

Fats basis ending stocks were raised this month and will end 2012 higher than in 2011. Currently large stocks of butter and higher milk production account for the forecast. Skims-solids stocks will end the year very close to 2011 ending stocks. Lower butter/powder values in the first half of 2012 could draw milk into cheese production, limiting the growth of nonfat dry milk (NDM) stocks and aiding the drawdown in fat basis stocks over the course of the year.

Prices for cheese, butter, NDM, and whey, were lowered this month. Expanded milk production, and slightly lower than earlier forecast economic growth is expected to pressure prices. This month, annual cheese prices are forecast at $1.600 to $1.660 a pound. Butter prices are projected at $1.510 to $1.600 a pound for the year. NDM prices are forecast at $1.345 to $1.395 for the year and whey prices, which had bucked the previous trend toward lower product prices, are now forecast lower this month at 57.0 to 60.0 cents a pound, but are still expected to finish the year above 2011 prices.

Lower dairy product prices resulted in lower milk prices for March than in February. The Class III price is projected at $16.35 to $16.95 per cwt. The Class IV price forecast is reduced to $15.85 to $16.55 per cwt, and all milk is lowered to $17.60 to $18.20 per cwt.

Contacts and Links

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Related Websites

Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/Publications/ldp/
Animal Production and Marketing Issues,
http://www.ers.usda.gov/briefing/AnimalProducts/
Cattle, http://www.ers.usda.gov/briefing/cattle/
Dairy, http://www.ers.usda.gov/briefing/dairy/
Hogs, http://www.ers.usda.gov/briefing/hogs/
Poultry and Eggs, http://www.ers.usda.gov/briefing/poultry/
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U.S. red meat and poultry forecasts

	2010					2011					2012			
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV
Production, million lb														
Beef	6,248	6,547	6,768	6,741	26,304	6,411	6,559	6,737	6,492	26,199	**6,300**	**6,415**	**6,380**	**5,940**
Pork	5,607	5,301	5,401	6,126	22,437	5,720	5,371	5,483	6,186	22,759	**5,860**	**5,490**	**5,595**	**6,290**
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	**38**	**36**	**35**	**36**
Broilers	8,732	9,198	9,496	9,484	36,911	9,290	9,509	9,542	8,860	37,201	**8,850**	**9,050**	**9,200**	**9,200**
Turkeys	1,339	1,383	1,415	1,506	5,643	1,402	1,471	1,423	1,495	5,791	**1,415**	**1,490**	**1,460**	**1,550**
Total red meat & poultry	22,057	22,535	23,194	24,059	92,097	23,013	23,114	23,396	23,227	92,750	**22,619**	**22,641**	**22,836**	**23,174**
Table eggs, mil. doz.	1,611	1,627	1,645	1,667	6,550	1,624	1,634	1,646	1,686	6,590	**1,635**	**1,645**	**1,650**	**1,685**
Per capita disappearance, retail lb 2/														
Beef	14.6	15.1	15.3	14.6	59.6	14.1	14.6	14.7	**14.0**	**57.3**	**13.9**	**14.1**	**13.9**	**13.1**
Pork	11.8	11.4	11.7	12.8	47.7	11.4	11.1	11.0	**12.3**	**45.7**	**11.5**	**11.2**	**11.2**	**12.4**
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	**0.2**	**0.8**	**0.2**	**0.2**	**0.2**	**0.2**
Broilers	20.1	20.5	21.4	20.3	82.3	21.5	21.5	20.8	**19.1**	**82.9**	**19.4**	**19.9**	**19.9**	**19.8**
Turkeys	3.5	3.6	4.1	5.1	16.4	3.5	3.5	4.0	**5.1**	**16.1**	**3.5**	**3.6**	**4.1**	**5.3**
Total red meat & poultry	50.7	51.2	53.2	53.6	208.7	51.3	51.3	51.0	**51.0**	**204.6**	**48.9**	**49.4**	**49.7**	**51.2**
Eggs, number	61.4	61.3	62.0	62.7	247.3	61.1	61.2	62.1	**63.1**	**247.6**	**61.2**	**61.8**	**61.7**	**62.6**
Market prices														
Choice steers, 5-area Direct, $/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	114.73	**125-126**	**123-129**	**122-133**	**125-135**
Feeder steers, Ok City, $/cwt	98.73	112.65	112.29	114	109.31	127.20	131.09	134.74	141.93	133.74	**152.00**	**153.00**	**150-159**	**150-160**
Cutter Cows, National L.E., $/cwt	51.79	58.79	58.90	54.93	56.1	68.66	74.88	66.11	63.54	68.3	**74-75**	**75-79**	**73-79**	**71-77**
Choice slaughter lambs, San Angelo, $/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.93	160.68	**143-147**	**135-145**	**134-145**	**140-150**
Barrows & gilts, N. base, l.e. $/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	66.11	**63-64**	**66-70**	**66-72**	**57-61**
Broilers, 12 City, cents/lb	82.2	85	84.5	80	82.9	77.9	82.6	78.8	76.8	79	**86-87**	**88-92**	**85-93**	**82-88**
Turkeys, Eastern, cents/lb	75.6	84.4	97.9	103.7	90.4	90.2	99.9	106.4	111.6	102	**100-101**	**102-108**	**104-112**	**105-113**
Eggs, New York, cents/doz.	126	82.8	93.1	123.2	106.3	105.8	106.6	117.7	131.2	115.3	**109-110**	**91-95**	**91-99**	**110-120**
U.S. trade, million lb														
Beef & veal exports	478	585	590	646	2,299	633	702	769	**684**	**2,788**	**685**	**735**	**700**	**645**
Beef & veal imports	573	690	598	436	2,297	461	593	548	**454**	**2,056**	**530**	**615**	**585**	**505**
Lamb and mutton imports	47	46	31	42	166	50	48	31	**33**	**1,633**	**47**	**45**	**40**	**46**
Pork exports	1,046	1,081	951	1,146	4,224	1,247	1,204	1,261	**1,481**	**5,193**	**1,300**	**1,215**	**1,250**	**1,435**
Pork imports	199	204	237	219	859	201	195	194	**213**	**803**	**195**	**190**	**195**	**205**
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,530	1,584	1,998	**1,878**	**6,991**	**1,725**	**1,725**	**1,800**	**1,800**
Turkey exports	114	136	158	174	582	160	171	173	**199**	**703**	**165**	**165**	**165**	**175**
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	**15,508**	**5,796**	**1,465**	**1,435**	**1,405**	**1,495**

1/ Forecasts are in bold.

2/ 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 3/13/2012

Dairy Forecasts

	2010		2011					2012				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,132	9,119	9,168	9,191	9,200	9,216	9,194	9,240	9,225	9,185	9,150	9,200
Milk per cow (pounds)	5,208	21,147	5,286	5,489	5,292	5,279	21,346	5,475	5,555	5,345	5,330	21,705
Milk production (bil. pounds)	47.6	192.8	48.5	50.4	48.7	48.7	196.2	50.6	51.2	49.1	48.8	199.7
Farm use	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	47.3	191.9	48.2	50.2	48.4	48.4	195.3	50.4	51.0	48.9	48.5	198.7
Milkfat (bil. pounds milk equiv.)												
Milk marketings	47.3	191.9	48.2	50.2	48.4	48.4	195.3	50.4	51.0	48.9	48.5	198.7
Beginning commercial stocks	12.2	11.3	10.9	12.1	13.4	12.5	10.9	11.0	13.8	14.6	13.8	11.0
Imports	0.9	4.1	0.8	0.7	0.8	1.3	3.5	0.8	0.8	0.8	0.9	3.3
Total supply	60.4	207.3	59.9	63.0	62.6	62.1	209.7	62.2	65.6	64.2	63.3	213.0
Commercial exports	2.2	8.3	2.5	2.7	2.2	2.2	9.5	2.0	2.2	2.2	2.2	8.6
Ending commercial stocks	10.9	10.9	12.1	13.4	12.5	11.0	11.0	13.8	14.6	13.8	11.6	11.6
Net removals	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	47.3	187.8	45.3	47.0	47.9	49.0	189.2	46.4	48.7	48.2	49.5	192.8
Skim solids (bil. pounds milk equiv.)												
Milk marketings	47.3	191.9	48.2	50.2	48.4	48.4	195.3	50.4	51.0	48.9	48.5	198.7
Beginning commercial stocks	12.5	11.3	12.3	11.9	12.9	12.4	12.4	11.9	12.2	12.6	12.3	11.9
Imports	1.3	4.8	1.3	1.2	1.3	1.4	5.3	1.3	1.3	1.2	1.3	5.1
Total supply	61.0	208.0	61.8	63.3	62.7	62.2	212.8	63.6	64.5	62.7	62.1	215.8
Commercial exports	8.7	32.1	8.4	8.4	8.6	8.7	34.1	8.1	8.2	8.1	8.0	32.3
Ending commercial stocks	12.3	12.3	11.9	12.9	12.4	11.9	11.9	12.2	12.6	12.3	11.9	11.9
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	40.0	164.1	41.5	42.0	41.7	41.6	166.8	43.3	43.7	42.3	42.3	171.6
Milk prices (dol./cwt) 1/												
All milk	17.70	16.26	18.73	20.13	21.67	20.03	20.14	17.90	16.50	17.40	18.55	17.60
								-18.10	-17.00	-18.20	-19.55	-18.20
Class III	15.40	14.41	16.63	17.50	20.71	18.62	18.37	16.05	15.50	16.70	17.15	16.35
								-16.25	-16.00	-17.50	-18.15	-16.95
Class IV	16.29	15.09	18.08	20.37	20.00	17.72	19.04	15.85	15.30	16.05	16.20	15.85
								-16.15	-15.90	-16.95	-17.30	-16.55
Product prices (dol./pound) 2/												
Cheddar cheese	1.614	1.523	1.708	1.751	2.041	1.799	1.825	1.540	1.525	1.650	1.685	1.600
								-1.560	-1.575	-1.730	-1.785	-1.660
Dry whey	0.373	0.372	0.425	0.499	0.570	0.636	0.533	0.630	0.555	0.545	0.565	0.570
								-0.650	-0.585	-0.575	-0.595	-0.600
Butter	1.955	1.702	1.990	2.052	2.030	1.728	1.950	1.475	1.425	1.550	1.580	1.510
								-1.515	-1.505	-1.660	-1.710	-1.600
Nonfat dry milk	1.183	1.169	1.373	1.611	1.578	1.461	1.506	1.365	1.325	1.350	1.355	1.345
								-1.385	-1.365	-1.410	-1.425	-1.395

1/ Simple averages of monthly prices. May not match reported annual averages.
2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm

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