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Livestock, Dairy, and Poultry Outlook

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Pork Producers Cautious Toward Expansion

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Tables will be released
on Oct 25, 2011

The next newsletter
release is Nov 16, 2011

Approved by the
World Agricultural
Outlook Board.

Beef/Cattle: Drought-induced cow-herd liquidation has reduced average dressed weights and resulted in relatively more ground products but fewer middle cuts. Wheat pasture could be priced at a premium this winter. Cattle feeding margins remain negative despite higher fed cattle prices.

Special Article: Wholesale and Retail Price Changes in the Beef Sector

Beef/Cattle Trade: The United States is expected to maintain a widened net export margin into 2012 as growth in the U.S. beef export market continues, due primarily to a relatively weak U.S. dollar and increased global demand for U.S. beef. Despite a shrinking U.S. beef cattle herd, exports are expected to increase slightly above 2011 levels in 2012. Lower beef imports from Oceania continue to limit U.S. beef import totals.

Pork/Hogs: The September 1st *Quarterly Hogs and Pigs* report showed that the U.S. hog inventory was up 1 percent year-over-year. The breeding herd was shown to be up 0.6 percent year-over-year, and producer's first farrowing intentions for December-February were 2.857 million, up 0.5 percent year-over-year, which perhaps indicates that the industry is cautious about any expansion plans. Pork production in 2011 is expected to be 22.6 billion pounds, 0.9 percent higher than 2010. 2012 commercial pork production is forecast to be 23.1 billion pounds. Fourth-quarter barrow and gilt prices are expected to average \$60-\$62 per cwt, while 2012 annual hog prices are forecast to average \$62-\$67, slightly lower than 2011. October WASDE revealed that corn and soybean ending stocks for 2011 and 2012 are estimated to be higher than expected, thus relieving some of the price pressure on feed in 2012 and allowing pork producers to have positive feeding margins in 2012. August pork exports were year-over-year 43.6 percent higher. Forecast pork exports in 2012 were revised down to 5,090 million pounds, still up 2.8-percent from projected 2011 export levels.

Poultry: Broiler production is expected to decline at the end of third-quarter 2011 and moving into the fourth quarter as reductions in the number of chicks placed for growout more than offset higher average weights. Broiler cold storage holdings are expected to end 2011 at 660 million pounds, down considerably from the previous year. Lower production and lower stock levels are expected to eventually place upward pressure on prices, but this effect will be partially offset by a sluggish domestic economy. Turkey production was higher in August, but is expected to decline in fourth-quarter 2011. Lower stock levels for whole turkeys have placed upward price pressure on whole birds. Wholesale whole-hen turkey prices have increased, with third-quarter prices averaging \$1.06 per pound, up 9 percent from the previous year.

Dairy: Despite relatively high feed prices, milk production is expected to rise both this year and next. The U.S. cow herd will likely contract slightly next year, but increasing yield per cow will boost overall production. Rising global production will likely make the international market more competitive for U.S. exports in 2012. Prices are forecast lower across the board in 2012.

Cow-Calf Producers Face Difficult Decisions for This Winter

Crop progress for hard red winter wheat pasture in Texas and Oklahoma is well behind last year and the 5-year average, but, in Kansas, is only slightly behind last year and the 5-year average. Limited availability of wheat pasture will likely drive pasture rental rates higher than in recent years. The higher rates will constrain those stocker operators trying to capitalize on the anticipated demand for heavier-weight feeder cattle next spring. Recent rains have helped, but additional precipitation will be needed to maintain wheat pasture through the winter.

At the same time, beef cow-calf producers in the South must determine how many more cows and replacement heifers to sell and how to feed through the winter those they keep. Their northern counterparts have had a good year and appear to be gearing up for cow-herd expansion, partly to capitalize on anticipated demand for cattle in 2012 and beyond. Despite the large number of cows going to market, cow prices are declining only slightly, likely helped by the dollar's weakness against other currencies and its dampening effect on imports of processing beef into the United States.

While monthly average 5-area fed cattle prices have increased by \$9.24 per cwt (8.6 percent) from June to September, cattle feeders' margins remain negative, by more than \$100 per head in some cases. This is largely due to high feed costs, primarily corn and roughages, and feeder cattle prices that have remained high even as fed cattle prices have fluctuated due to a volatile futures market. Those cattle feeders familiar with hedges have had some opportunities over the last several months to lock in profitable price levels.

Beef Demand Appears To Slow

In wholesale markets, the spread between average monthly Choice and Select cutout values widened from a February 2011 low of \$0.87 per cwt to a peak of \$5.50 in June, then moved down to August's \$4.99. Since the beginning of September, the spread widened significantly on a weekly basis to just over \$14 per cwt the first week in October (*Weekly National Carlot Meat Report*).

Several factors are contributing to the widening spread: Marketings from feedlots of 1,000 head or more have been such that fed cattle have not been allowed to put on any extra weight—partly due to high costs of gain, adversely affecting total beef production. However, feedlots have remained relatively current despite heavy placements of feeder cattle—especially the drought-induced light-weight placements—for much of the past year or longer. The shortened feeding periods and some pulling of cattle forward (marketing them earlier in the feeding/finishing period) have also resulted in slightly fewer carcasses grading Choice and more Select grading carcasses, which has affected the Choice-Select spread since July 2011.

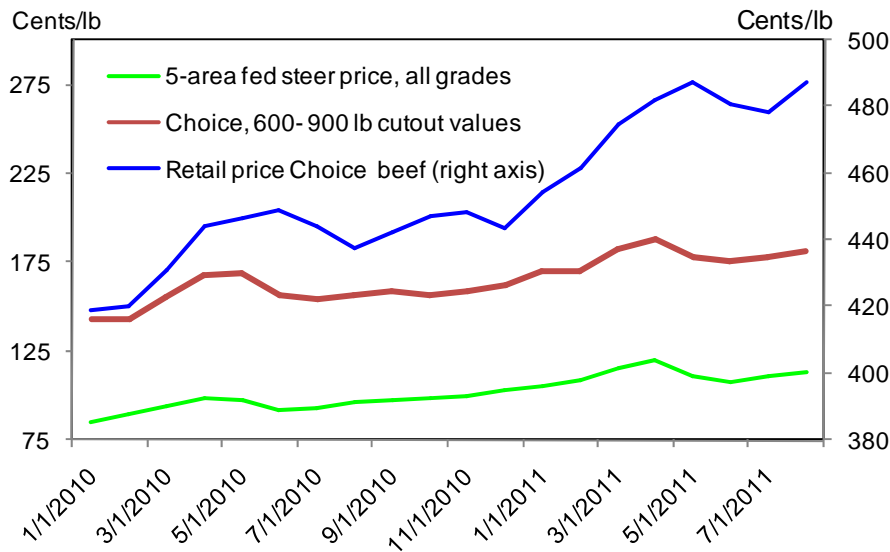
In addition, demand by restaurants may have slipped in recent months as is evident from the Restaurant Association's Restaurant Performance Index and is lackluster at best. As a result, demand for many higher priced cuts has likely been reduced. However, with more cows in the slaughter mix, higher priced cuts make up a

smaller share of total beef supplies, which increases the relative value of the higher-end cuts and lowers the value of lower grading meat. As a result, prices for both Select beef and grinding beef have moved lower, and the Choice-Select spread has widened.

Volatility in retail prices is also due to the impact that the drought-induced liquidation of cows is having on relative supplies of higher-end cuts. Estimated monthly average prices for Choice retail beef increased 9 cents per lb, or 2 percent, from July 2011 to August 2011. At the same time, monthly average 5-area fed cattle prices increased 2.6 cents per lb, or 2.3 percent, while average Choice wholesale cutout values increased by 2.7 cents, or 1.5 percent.

These general price increases followed volatility in all prices, with atypically rapid increases in retail prices from December 2010 to May 2011, followed by a 2-month decline, before again increasing. At the same time, cattle and wholesale cutout values followed atypically more modest fluctuations after peaking in April. Because of lags in production cycles for cattle and beef at various levels, retail prices typically adjust more slowly than cattle or wholesale beef prices. At the same time, cattle and beef prices at all levels tend to adjust more quickly when they are increasing (see special article). However, little about this year is typical

Comparison of fed cattle, Choice wholesale cutout values, and Choice retail values, January 2010-August 2011



Source: USDA, Agricultural Marketing Service data compiled by ERS.

Kenneth H. Mathews, Jr., Rachel J. Johnson, and William F. Hahn

- **Variations between wholesale and retail prices**

Retail and wholesale beef prices do not change at the same rate or in proportion to each other. They move in response to changes in supply and demand. Retail prices tend to adjust more slowly than cattle prices or wholesale beef prices. And prices at all levels (farm, wholesale, and retail) tend to adjust more quickly when they are increasing. These asymmetries stem from lags and variations in demand and supply between the live cattle, wholesale beef, and retail beef markets.

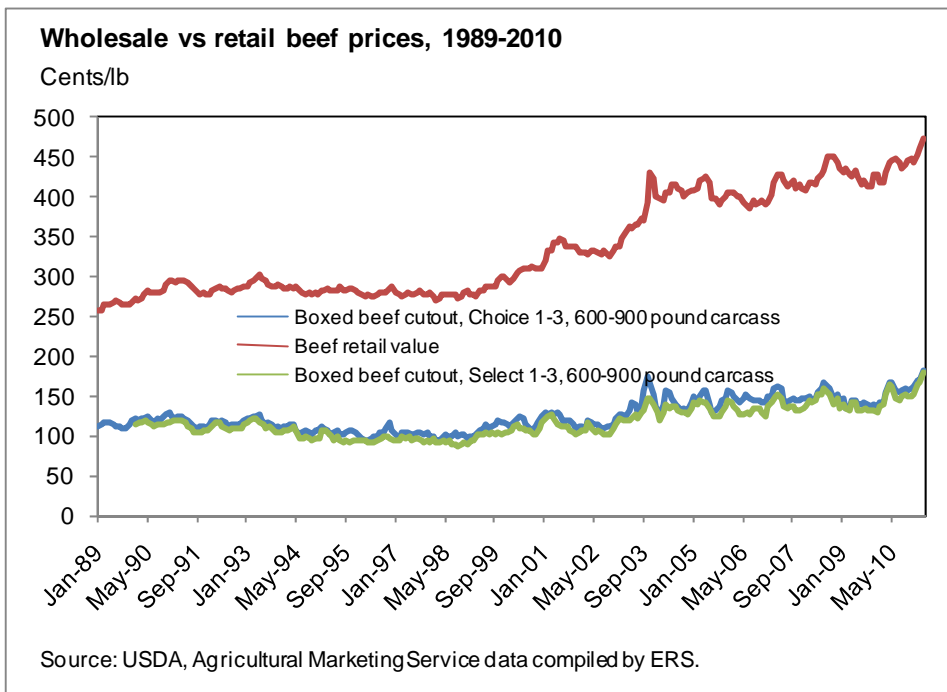
Demand at each level is affected by general economic conditions, seasonality, beef and cattle trade, and other factors. Prices can also be affected by variations in demand for specific parts of the carcass or specific cuts of beef. Changes in cattle inventories affect quantities of beef available in both the long run and the short run through subsequent changes in relative supplies of Choice, Select, and processing-grade cattle and beef. Factors contributing to asymmetric price movements between farm, wholesale, and retail prices levels are summarized as follows:

- A long production cycle for beef that is difficult to adjust in light of the speed at which demand can shift,
- Changes in demand that affect cattle and beef prices at all levels—in general and seasonally, as well as by cuts,
- Seasonal and other variations in supplies of cattle imported from Canada and Mexico and beef imported from Canada.

- ***Variations in prices due to beef's long production cycle***

Wholesale and retail beef prices—both nominal and real—have been rising since 2000. In recent months cattle prices and average wholesale and retail prices for beef have increased rapidly, setting record nominal (not inflation-adjusted) highs. The increase in prices can be attributed to a decline in cattle inventories since 1996, when drought set off long-term liquidation that is ongoing (except for 2005-07). Initially, beef production increased due to the extra cows and heifers that were being processed during the early years of the liquidation period. Since 2000, beef supplies have fluctuated downward, resulting in higher prices, with retail prices currently increasing faster than wholesale prices. As the U.S. cattle herd is in a general liquidation phase and more cows and heifers are in the current slaughter mix, relatively fewer higher end cuts are available.

The long production cycle that characterizes beef production makes it difficult to quickly adjust the supply base in response to variations in demand at the retail level. It takes about 3 years from the time a cow-calf operator decides to change the number of calves he or she produces until those calves are large enough to be placed into the feedlot. And once calves are born, future beef supplies are largely established for the next 1-2 years. The only flexibility beyond that point lies in the timing of when the cattle enter the feedlot. Once cattle are placed in the feedlot, they are typically fed and slaughtered within a narrowly specified timeframe.



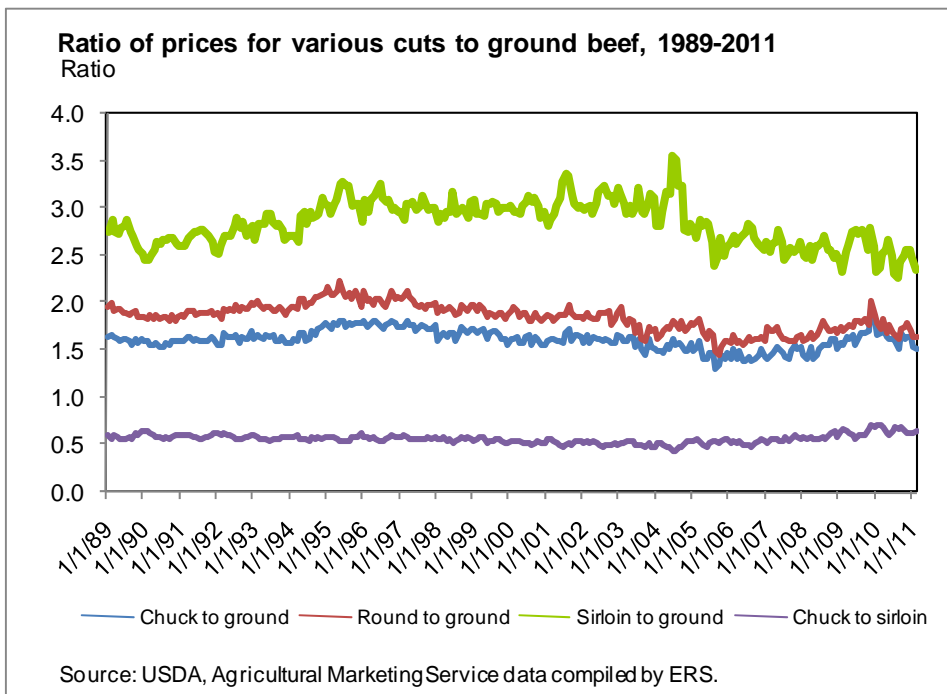
In contrast, if retail demand declines, cattle in feedlots still must be processed for beef because it is usually not economically feasible to continue feeding cattle once they have reached a certain quality level. Thus, while beef can be placed in cold storage facilities for short periods, cattle and beef supplies take a longer time to adjust to changes in economic conditions.

- **Variations in prices among retail meat products**

The economic downturn beginning in 2008 also changed the price relationship between traditionally cheaper cuts used for hamburger and more expensive higher quality cuts. While prices for both have increased—mainly because of reduced cattle inventories—the recession has contributed to larger gains for lower graded cuts used for hamburger. Factors that have combined to provide support for prices of ground products include cost-cutting strategies on the part of consumers (increasing overall demand) and supply-driven factors.

One consumer cost-cutting strategy has been the purchase of relatively inexpensive cuts of beef, pork, and poultry. Ground beef is one of the least expensive beef products, and its versatility allows consumers to stretch food budgets by using it in stews, sauces, casseroles, and other dishes. With the economy underperforming, consumers have increased their demand for lower priced cuts, especially ground products. In addition, declining U.S. cattle inventories have resulted in less beef available for all uses, which has also contributed to higher prices for ground beef relative to various other beef cuts.

Ground beef products are made by blending processing beef (from culled cows and bulls and lower grading fed beef) with fatty trim (e.g., 50-percent lean trim—half fat and half lean meat) from higher grading fed cattle. The share of total beef from higher grading beef—Prime and Choice—has risen during the last several years, reducing the relative share of lower graded beef and leaner cuts produced from Select and lower grading cattle. Because higher grading cattle are fatter, they



provide more of the fatty trim than Select and lower grading cattle. With a larger share of carcasses grading Choice or better, more of the fatty trim is available to mix with less processing beef. Further, since the fatty trim is the smaller portion of the overall ground-product blend, the value of the leaner processing beef increases relative to the fatty trim.

Since the United States has large supplies of fatty trim, it is also necessary to import processing beef to blend with U.S. beef to make ground products. However, tight beef supplies among major beef-trading countries and a weak dollar have led to year-over-year declines in monthly U.S. imports of processing beef for at least the last year or so, which has also contributed to higher prices for U.S. ground products.

U.S. consumer demand for beef cuts and products also varies seasonally, directly impacting retail pricing and adding to some variations between wholesale and retail prices for individual cuts and for the wholesale-retail price spread in general. Demand for ground products and steaks often rises in April-June because of a seasonal increase in outdoor grilling during the spring and summer. Retail stores will use these cuts in advertising specials to draw consumers into stores. Since hamburger prices have remained relatively high, advertising beef prices has been an unattractive option for retailers this year. Roasts are also characterized by seasonal demand. Demand for roasts usually climbs in winter when consumers are willing to use their ovens because of the dual benefit of cooking and heating, which is less desirable during the summer months when cooling costs are highest.

- ***Prices are affected by seasonal patterns in cattle and beef imports***

Imports of cattle into the United States tend to increase supplies of U.S. beef, putting downward pressure on wholesale beef prices. On average, the United States imports over 2 million head of cattle from Mexico and Canada annually. Imports of Mexican cattle are usually high in both spring and fall¹, but especially in the fall.

¹ Most Mexican calves are born in the spring, but typically dry conditions in the fall reduce forage quantity and quality in Mexico. This increases incentives to quickly ship the cattle to the U.S., where they are either stockered on forage or immediately placed on feed to be marketed as fed cattle the following spring.

Supplies of fed cattle from the Southern Plains and the Southwest, which include feeder cattle imported from Mexico during the previous fall, increase in the spring. Fed cattle and cull cows that go directly to slaughter are also imported from Canada. On average, two-thirds of cattle imported from Canada are sent directly to slaughter, while most of the remaining one-third are sent directly to feedlots. These imports of both fed and feeder cattle from Canada increase the U.S. supply of beef in the spring and fall, exerting downward pressure on both cattle and beef prices.

Seasonal shifts in the U.S. beef supply are also evident in U.S. beef imports. The United States imports about as much beef as it exports—roughly 8-10 percent of production. Imports of Canadian, Australian, and New Zealand beef are highest in the spring and summer. Seasonal increases in beef supplies tend to put downward pressure on wholesale prices, but not necessarily on retail prices. When prices decrease, wholesalers may decide to hold back stocks in cold storage to sell to retailers at a later date, when the price is potentially higher.

Beef/Cattle Trade

Strong Export Growth Continues To Boost U.S. Beef Exports, Imports Tightened

U.S. beef exports through August are 27 percent higher, year-over-year. Strong growth continues to several major U.S. beef export markets, particularly Asia. Through August, exports to South Korea and Japan were 50 and 38 percent higher than a year earlier, respectively. U.S. beef exports to Canada were 39 percent higher and exports to Mexico were fractionally above a year earlier. Exports to Russia have continued to outpace year-earlier levels through August (+72 percent), placing the United States behind Paraguay as the sixth largest exporting country of beef to Russia thus far in the year. U.S. beef exports to Hong Kong (+62 percent) and Egypt (+24 percent) also continue to demonstrate strong growth.

Total U.S. beef exports are forecast at over 2.73 billion pounds in 2011, up nearly 19 percent over 2010. Strong export growth is expected to continue through the third quarter, with a 27-percent increase in exports forecast. Exports in the final quarter of this year are expected to be fractionally above year-earlier levels. Beef exports in 2012 are forecast slightly higher, at 2.76 billion pounds.

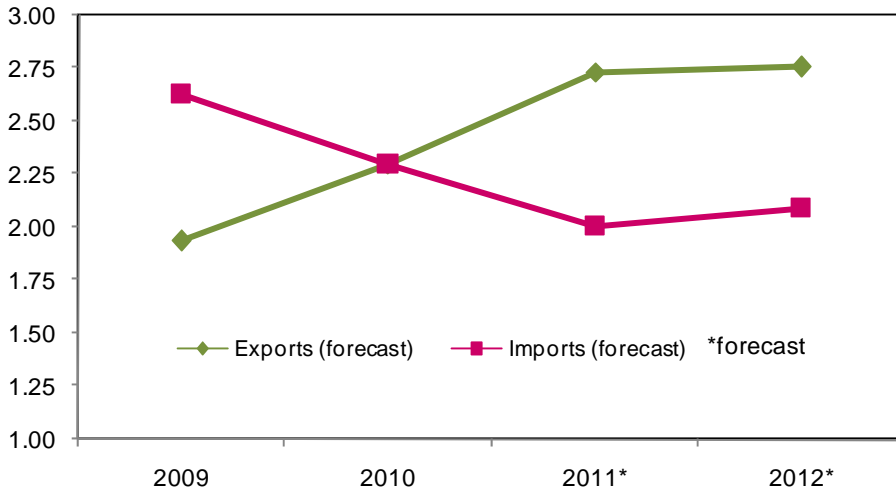
U.S. beef imports for 2011 are forecast at 2 billion pounds, making an almost 13-percent year-over-year decline. Tightened exports to the United States from Oceania, in part a function of the exchange rate, continue to constrain U.S. import totals. Beef imports for the third quarter are expected to be 17 percent below a year earlier; modest growth of about 5 percent is expected in the fourth quarter. In 2012, 2.1 billion pounds of beef are expected to be imported, 4 percent larger than totals forecast for this year.

Cattle Imports Revised Lower—2.1 Million Head in 2011

Cattle imports through August from Mexico were 29 percent higher, year-over-year. Conversely, imports from Canada were 40 percent below a year earlier. Although cattle imports from Canada are recovering somewhat (the price differential between U.S. and Canadian slaughter cattle jumped well above levels of the previous 3 years in September and into October), Canadian cattle imports are still 20 percent below year-earlier levels through September, according to AMS weekly reports. Although prices for cattle in Mexico remain well below the comparable U.S. prices for feeder cattle (wholesale Mexico City steers vs. imported Las Cruces Mexican cattle), the August downgrading of Chihuahua's TB status—a major Mexican cattle exporting state—may cause cattle imports from Mexico to drop significantly through the remainder of the year. U.S. cattle imports are forecast to be 2.1 million head in 2011 and 2.025 million head in 2012.

U.S. beef exports and imports

Billion pounds



Source: <http://ers.usda.gov/Data/MeatTrade/>

Larger Projected Hog Supplies, but Feeding Returns Should Be Positive.

The September *Quarterly Hogs and Pigs* report shows marginally larger hog inventories and farrowings, and a continued pigs-per-litter rate remaining above 10 indicates there will be slightly more pork production in 2012. The September 1 breeding herd was 0.6 percent higher than last year at that time. Likewise, December-February 2012 farrowing intentions were 2.857 million, up 0.46 percent from 2011 farrowings. September-November 2011 farrowing intentions were revised upward to 2.874 million, just slightly lower than 2010's level.

Third-quarter 2011 hog slaughter is expected to have been 27.4 million head, up 150,000 from last month's estimate, and average dressed weights likely were just over 200 pounds, resulting in a total of 5.5 billion pounds of commercial product. There has been a much larger number of hogs coming to slaughter, and the slaughter weight hog inventory (180 lbs and heavier), up 3.4 percent year-over-year, is a reflection of that. Annual 2011 slaughter is expected to be just over 110.6 million head, with 22.6 billion pounds of commercial pork production, 0.9 percent above the 2010 level.

Marginally larger breeding herd inventories and farrowings indicate that the industry is likely expanding. In light of a large pig crop in late 2011 and early 2012, 2012 hog slaughter was revised upward by 510,000 head to 112.6 million head. Dressed weights in 2012 should, on average, be marginally larger than 2011 due to lower than expected feed costs in 2012. Commercial pork production in 2012 is forecast to be 23.1 billion pounds, up 110 million pounds from last month's WASDE forecast.

Although down from a record high in August of this year, 2011 third-quarter 51-52 percent lean hog prices averaged \$71.06 per cwt, an 18-percent increase over last year's third-quarter price and the highest average for that period. Fourth-quarter hog prices are expected to average in the \$60-\$62 per cwt range, with the 2011 annual price projected to average \$65.20. 2012 annual 51-52 percent lean hog prices are forecast to average \$62-\$67, a slightly lower midpoint than 2011. Interestingly, 2011 hog prices were higher than in 2010 despite pork production being slightly larger. This was mostly due to higher input prices driving up the costs of production and more international consumers bidding on the product, exemplified by surging U.S. pork exports this year.

The recent decline in hog feed prices was largely due to the release of crop stock reports. The October WASDE indicated that estimated United States ending corn and soybean stocks for 2011 and 2012 are higher than expected, thus relieving some price pressure on feed. Using WASDE price forecasts for corn, 48-percent soybean meal and National Base, live equivalent 51-52% lean hog prices indicate that hog producers' face positive feed margins in the fourth quarter of 2011 and during 2012. The quality and quantity of the 2011 corn and soybean crops will play a large role in feed prices.

Continued Strong Pork Exports in August; 2012 exports Will Grow Slightly

August U.S. pork exports were 433.4 million pounds, 43.6 percent larger than last Augusts, making January-August U.S. pork exports 18.7 percent larger than 2010. U.S. pork exports should remain strong into 2012. Although 2012 U.S. pork exports were revised downward slightly to 5.09 billion pounds from last month, they are still forecast to be 2.8 percent higher than 2011. Japan and Mexico are projected to continue to be the primary export markets and China/Hong Kong will continue to play a strong role. Exports to Russia are expected to be limited by the lower tariff-rate quotas Russia has imposed on pork.

Slightly larger U.S. pork production and the reduced revision in U.S. pork exports will translate into slightly more pork supply for domestic consumption. The per capita retail weight disappearance forecast for 2012 was revised up from last month by 0.4 pound to 46.3 pounds. Pork retail prices in 2012 are expected to average in the upper \$3.40's per pound, up slightly from 2011 prices and up over 11 percent from 2010 prices.

U.S. pork exports

| Country | 11-Aug | 10-Aug | % change (2011/2010) | Jan-Aug 2011 | Jan-Aug 2010 | % change (2011/2010) |
|-----------------|-----------------|--------------|-------------------------|-----------------|-----------------|-------------------------|
| | million lbs cwe | | | million lbs cwe | | |
| Japan | 125.2 | 92.6 | 35.20% | 981.3 | 872.3 | 12.50% |
| Mexico | 84.7 | 85.6 | -1.10% | 668 | 668.6 | -0.10% |
| China/Hong Kong | 78.8 | 21 | 274.90% | 348.4 | 199.9 | 74.30% |
| Canada | 44.6 | 35.8 | 24.50% | 318.8 | 280.1 | 13.70% |
| South Korea | 26.7 | 10.9 | 146.20% | 348.5 | 151.1 | 130.60% |
| Russia | 22.3 | 9.2 | 141.90% | 123.3 | 73.1 | 68.70% |
| Australia | 11.8 | 10.3 | 14.50% | 136.9 | 111.1 | 23.20% |
| World | 433.4 | 301.8 | 43.60% | 3,270.60 | 2,756.40 | 18.70% |

Source: <http://www.ers.usda.gov/Data/MeatTrade/>.

Broiler Meat Production Up 2.5 Percent in August

Broiler meat production in August was 3.3 billion pounds, up 2.5 percent from the previous year. The production increase was primarily due to higher live weights as the number of birds slaughtered, at 757 million, was down 1.5 percent from August 2010 despite 1 additional slaughter day in August 2011. The average liveweight at slaughter rose to 5.77 pounds, up 3.6 percent, which pushed total liveweight at slaughter to 4.4 million pounds, 2 percent higher than a year earlier. Total broiler meat production was boosted by the heavier average carcass weights, which caused the average amount of meat produced per bird to expand by 4.1 percent compared with a year earlier.

Broiler meat production in July and August was slightly higher than expected, mostly due to higher bird weights. The production estimate for third-quarter 2011 was increased by 50 million pounds to 9.45 billion pounds, still down slightly from third-quarter 2010.

With the number of chicks being placed weekly for growout falling sharply compared with the previous year, the broiler meat production estimate for fourth-quarter 2011 was lowered to 9.1 billion pounds, 4 percent lower than in fourth-quarter 2010. Average live weights at slaughter in fourth-quarter 2011 are expected to continue to be higher than a year earlier, but fewer birds are expected to be slaughtered.

Broiler meat production for 2012 is expected to total 37 billion pounds, down 475 million pounds from earlier estimates and just under 1 percent less than the revised 2011 forecast. The reduction is the result of expected relatively high feed grain prices in 2012 and a sluggish U.S. economy, which will pressure demand. The higher feed prices are expected to lead integrators to scale back production plans. While broiler integrators are expected to lower production in 2012, the magnitude of the decline will depend on a number of factors. Any improvements in overall economic conditions and consumer confidence will help moderate downward pressure on production from the higher grain prices.

Over the last 5 weeks (September 10 to October 8, 2011), the number of chicks placed for growout has been 6 percent lower than in the same period in 2011. Over the last several months, the number of chicks placed has been declining compared with the previous year. This trend is expected to continue through the fourth quarter and into 2012. Chicks placed for growout through the beginning of November likely will be slaughtered in fourth-quarter 2011.

At the end of August, cold storage holdings of broiler meat products totaled 666 million pounds, almost identical to a year earlier. The quantity of undifferentiated products included in the “other” category accounts for a large percentage of total broiler stocks. “Other” stocks totaled 296 million pounds, or 44 percent of the total at the end of August. The volume of stocks in this category was down 2 percent from the previous year. Stock changes were strongly divided between higher stocks for breast meat and wings and lower stocks of most leg meat products. Breast meat stocks were up 46 percent from the previous year and wing stocks were 25 percent

higher. These increases were offset by declines in stocks for leg quarters (down 24 percent), thighs (down 22 percent), and drumsticks (down 32 percent).

The changes in stock levels have been reflected in wholesale price changes. In the Northeast market, the wholesale price for boneless/skinless breast meat averaged \$1.31 per pound during September, down 22 percent from a year earlier and the price for breast meat with ribs was down 17 percent. Rising stocks for wings also put downward pressure on prices, with whole wing prices averaging \$1.09 per pound, down 15 percent from September 2010. The falling stocks for most leg meat products were also reflected in their prices. Prices for bulk leg quarters, boneless/skinless thigh meat, and drumsticks were 31, 32, and 24 percent higher than the previous year. With meat production and ending stock levels both expected to be lower in fourth-quarter 2011, many broiler products prices are expected to gradually strengthen, but much will depend on the health of the U.S. economy.

Broiler Exports Rise by 36 Percent in August

Boosted by a dollar that has been weak compared with a number of other currencies, broiler exports continue to be much higher than year-earlier levels. In August, broiler exports totaled 693 million pounds, up 36 percent from the previous year. With the higher exports in August, the year-to-date export total is 4.48 billion pounds, 7 percent higher than for the same period in 2010. Shipments in August were higher to a number of markets. The largest gains in August in terms of total shipments were to Hong Kong, Russia, Angola, Georgia, and Mexico. The increase to Russia (up 782 percent) was especially large because broiler shipment to Russia in August 2010 had only totaled 5.7 million pounds. Shipments to Hong Kong totaled 62 million pounds, while those to Angola, Georgia, and Mexico were 55, 48, and 88 million pounds. These large increases boosted overall exports despite lower shipments to countries like the Ukraine, Korea, and Cuba.

Overall Turkey Meat Production Lower, Whole-Bird Prices Higher

With relatively high grain prices projected for the remainder of 2011 and into 2012, turkey producers are expected to scale back production beginning in fourth-quarter 2011. Turkey meat production for all of 2011 is still expected to be larger than the previous year, but the higher feed prices are expected to have a greater impact on production at the end of 2011 and into 2012. Turkey production is expected to be lower in the first half of 2012 and slightly lower for all of 2012 compared with 2011.

Turkey meat production in August 2011 was 501 million pounds, up 4.2 percent from a year earlier. A portion of this increase was the result of August 2011 having 1 additional slaughter day compared with the previous year. The number of turkeys slaughtered (22.1 million) was 2 percent higher, and the average live weight at slaughter was 28.5 pounds, or 2.1 percent higher than a year earlier.

In August, the number of net poult placements for growout totaled 23.7 million birds, up 3.3 percent from the previous year. In the previous 4 months, net poult placements had been lower than the previous year. On a year-to-date basis, net

poult placements have totaled 188.1 million birds, up less than 1 percent from the same period in 2010.

At the end of August, cold storage holdings of turkey products totaled 524 million pounds, 4.3 percent higher than the previous year. Strong growth in production during the first two quarters of 2011 has led to a buildup in stocks. Overall turkey stocks had been below the previous year between November 2009 and May 2011. The increase in turkey stocks over the last 3 months was due to growing cold storage holdings of turkey parts. At the end of August, cold storage holdings of whole birds were 290 million pounds, down 3.4 percent from August 2010, but cold storage holdings of turkey parts totaled 234 million pounds, 15.8 percent higher than the previous year.

Even with very little production growth in the third quarter and a small decline forecast for the fourth quarter, the estimates for third-and fourth-quarter ending stocks were raised slightly. The third-quarter ending stocks estimate was increased to 500 million pounds, 26 million pounds more than the previous year. The estimate for fourth-quarter 2011 ending stocks was raised by 15 million pounds from last month to 215 million pounds. This is about 12 percent higher than the previous year.

Lower stock levels for whole turkeys have placed upward pressure on whole-bird prices. The average price for whole-hen turkeys (8-16 lbs. in the Eastern market) was \$1.06 per pound in third-quarter 2011, over 8 cents per pound higher than a year earlier (up 8.6 percent). The wholesale price for Eastern market whole hens in fourth-quarter 2011 is forecast at \$1.07 - \$1.11 per pound, up from \$1.04 per pound in fourth-quarter 2010. Prices for many turkey parts have also been trending upward over the last several months. Prices for turkey wings (v-cut) in August were \$0.98 per pound, up 12 percent from a year earlier; turkey thighs averaged \$1.32 per pound, 15 percent higher than in August 2010.

Turkey Exports Higher in August

Turkey exports totaled 62 million pounds in August 10, percent higher than the previous year. This boosted year-to-date exports to 445 million pounds, 24 percent above the same period in 2010. Continued strong exports to Mexico was the chief factor in the gain in exports in August. Shipments to Mexico totaled 32 million pounds in August, up 7 percent from the previous year, and accounted for 52 percent of all exports. Higher shipments in August to Canada, Hong Kong, and South Africa also helped to boost overall exports and helped offset lower shipments to China and the Dominican Republic.

Table Egg Production Steady, Hatching Eggs Down

In August, table egg production was 556 million dozen, almost identical to the previous year. The number of hens in the table egg laying flock was 281 million, down 0.7 percent from a year earlier, but the number of eggs per laying hen was higher. During the first 8 months of 2011, table egg production has totaled 4.4 billion dozen, less than 1 percent higher than over the same period in 2010. Table egg production has had positive growth through the first 8 months of 2011 and this trend is expected to continue through the remainder of the third quarter. In fourth-

quarter 2011, table egg production is expected to be only about even with the previous year. In 2012, the impact of relatively high feed prices and a sluggish economy are expected to keep table egg production slightly lower than in 2011. The number of eggs laid for hatching continued to be lower than the previous year in August. Over the first 8 months of 2011, the number of hatching eggs produced has totaled 711 million dozen, 1.1 percent lower than during the same period in 2010. While production has been lower for both broiler-type and egg-type hatching eggs, most of the decrease has come from steady declines in broiler-type eggs. Production of broiler-type hatching eggs is expected to continue to fall through the fourth quarter of 2011 and to remain below the previous year through much of 2012.

In September, wholesale prices for a dozen large eggs in the New York market averaged \$1.17, up 35 percent from year earlier. In early October, weekly prices began to strengthen somewhat, to approximately \$1.24 per dozen, as demand began to increase. Prices in fourth-quarter 2011 are expected to remain relatively strong and average \$1.23 - \$1.27 per dozen.

Shipments of egg and egg product during the first 8 months of 2011 have been robust, (184 million dozen, up 9 percent) as shipments to a number of Asian countries and Mexico are considerably higher than during the same period in 2010. These gains have more than offset lower egg and egg product exports to Canada and many of the EU countries, countries that over the past several years have been among our largest markets. Exports are expected to remain strong through fourth-quarter 2011, but decline somewhat in 2012 due to slowing exports to some Asian countries.

Even with relatively strong domestic egg prices in August, egg and egg product exports were the equivalent of 24.3 million dozen eggs, about even with the previous year. Exports in August balanced stronger shipments to Japan, Hong Kong, and Mexico with falling exports to Canada and several EU countries, notably Germany.

U.S. Milk Production Continues To Climb; Prices Are Expected To Decline in 2012

Feed prices are expected to remain relatively high through the end of 2011 and into next year. Corn prices are forecast at \$6.20 to \$7.20 per bushel for the 2011/12 crop year. This forecast represents a small reduction from September's forecast prices and is based on higher reported carry-in stocks and slightly lower projected corn exports. Similarly, the soybean meal price forecast was lowered from September to \$335 to \$365 per ton for the 2011/12 marketing year, based on a lower soybean export forecast in October. Preliminary estimates placed alfalfa prices at \$196 per ton in September in the face of almost 5 percent lower production in 2011. Significant relief from the current prices level is not likely until next spring.

Milk production for 2011 is projected at 195.9 billion pounds, a 200-million pound increase from September's forecast. Both higher cow numbers and yield per cow contribute to rise. Despite high feed prices and continued heavy cow slaughter, the U.S. dairy herd continues to expand more rapidly than anticipated. The herd is forecast to average 9.2 million head for the year. Yield per cow has also risen more rapidly than anticipated and is forecast at 21,300 pounds, an increase from September estimates. Output per cow may not have been as diminished by the hot summer temperatures as expected. In 2012, the U.S. dairy herd is expected to contract to 9.19 million head. This forecast represents both a year-over-year decline and a decline from the September 2012 forecast. Although corn and soybean meal prices have been revised downward, they remain high by historic levels and continued expected high alfalfa prices along with lower milk prices will likely stimulate a herd reduction during 2012. These fundamentals will also limit the rise in output per cow next year, which is forecast at 21,600 pounds despite an extra milking day in 2012.

Milk-equivalent imports for 2011 are forecast at 3.2 billion pounds on a fats basis and 5.3 billion pounds on a skim-solids basis this year, both unchanged from September's forecast. Next year, fat-basis imports are forecast unchanged at 3.2 billion pounds but skim-solids imports are expected to slide to 5.1 billion pounds, also unchanged from September's forecast. Fat-basis exports are forecast at 9.1 billion pounds for 2011, a slight downward revision from September's forecast due to lower expected butter and cheese exports. Favorable conditions in Oceania coupled with rising seasonal production are expected to pressure prices and increase competition particularly for U.S. dairy exports in 2012. Skim-solids exports are forecast at 32.6 billion pounds this year, unchanged from September. In 2012, milk-equivalent exports on both a fats and skim-solids basis are forecast to be lower than in 2011. Fat-basis exports are forecast at 8.6 billion pounds, down fractionally from September's forecast. Skim-solids basis exports are placed at 31.9 billion pounds, a decline from September's projection.

This year, domestic commercial milk use is forecast to reach 188.6 billion pounds on a fats basis and 167.8 billion pounds on a skim-solids basis. In 2012, domestic commercial use is forecast to rise to 192 billion pounds on a fats basis and 170.8 billion pounds on a skim-solids basis. Both forecasts would represent a healthy rise in use; especially for the fats basis forecast after several years of slow growth.

On a skim-solids basis, the 2012 forecast would represent the second year of growth after a decline in 2010.

Overall, prices for dairy products are expected to be lower in 2012 after rising sharply in 2011. Cheese and butter prices were lowered in October based on weaker international prices. The 2011 cheese price is forecast at \$1.810 to \$1.820 per pound and the butter price is forecast at \$1.940 to \$1.970 per pound, both lower than September forecasts. Nonfat dry milk (NDM) is forecast at \$1.505 to \$1.525 per pound, unchanged from September. Whey is forecast at 51.5 to 52.5 cents per pound, with the upper end of the range raised slightly from last month. The whey forecast is based on expected continued robust domestic use and relatively strong exports despite higher prices. Next year, the major product prices are all expected to be lower. The cheese price is expected to be \$1.665 to \$1.755 per pound; the butter price is forecast at \$1.600 to \$1.720 per pound. The NDM price is forecast at \$1.355 to \$1.425 per pound, and the whey price is forecast at 45.5 to 48.5 cents per pound. The lower prices reflect larger domestic production and stronger competition overseas, which will pressure exports.

The Class III price is forecast at \$18.15 to \$18.25 per cwt for 2011 and \$16.30 to \$17.20 per cwt in 2012. The Class IV price is forecast at \$19.05 to \$19.25 per cwt this year and \$16.30 to \$17.30 per cwt next year. The all-milk price is forecast to be \$20.00 to \$20.10 per cwt for 2011 and to slip to \$17.75 to \$18.65 per cwt next year.

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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/Data/MeatPriceSpreads/>, 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/MeatTrade/>, 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/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/>
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Dairy Forecasts

| | 2010 | | | 2011 | | | | | 2012 | | | |
|--|-------------|-------------|--------------|-------------|-------------|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | III | IV | Annual | I | II | III | IV | Annual | I | II | III | Annual |
| Milk cows (thous.) | 9,126 | 9,130 | 9,117 | 9,165 | 9,198 | 9,217 | 9,215 | 9,200 | 9,215 | 9,200 | 9,170 | 9,185 |
| Milk per cow (pounds) | 5,267 | 5,208 | 21,149 | 5,283 | 5,483 | 5,290 | 5,245 | 21,300 | 5,395 | 5,540 | 5,340 | 21,600 |
| Milk production (bil. pounds) | 48.1 | 47.5 | 192.8 | 48.4 | 50.4 | 48.8 | 48.3 | 195.9 | 47.7 | 51.0 | 49.0 | 198.4 |
| Farm use | 0.3 | 0.3 | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 | 0.2 | 0.2 | 0.2 | 1.0 |
| Milk marketings | 47.8 | 47.3 | 191.8 | 48.2 | 50.2 | 48.5 | 48.1 | 195.0 | 49.5 | 50.7 | 48.7 | 197.5 |
| Milkfat (bil. pounds milk equiv.) | | | | | | | | | | | | |
| Milk marketings | 47.8 | 47.3 | 191.8 | 48.2 | 50.2 | 48.5 | 48.1 | 195.0 | 49.5 | 50.7 | 48.7 | 197.5 |
| Beginning commercial stocks | 13.5 | 12.2 | 11.3 | 10.9 | 12.1 | 13.4 | 12.8 | 10.9 | 11.4 | 13.0 | 14.6 | 11.4 |
| Imports | 1.0 | 0.9 | 4.1 | 0.8 | 0.7 | 0.8 | 0.9 | 3.2 | 0.8 | 0.7 | 0.7 | 3.2 |
| Total supply | 62.3 | 60.4 | 207.2 | 59.9 | 63.0 | 62.6 | 61.8 | 209.1 | 61.7 | 64.5 | 64.1 | 212.1 |
| Commercial exports | 2.4 | 2.2 | 8.3 | 2.5 | 2.7 | 2.1 | 1.9 | 9.1 | 2.0 | 2.2 | 2.2 | 8.6 |
| Ending commercial stocks | 12.2 | 10.9 | 10.9 | 12.1 | 13.4 | 12.8 | 11.4 | 11.4 | 13.0 | 14.6 | 13.6 | 11.5 |
| Net removals | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial use | 47.7 | 47.3 | 187.8 | 45.3 | 47.0 | 47.8 | 48.6 | 188.6 | 46.7 | 47.7 | 48.3 | 192.0 |
| Skim solids (bil. pounds milk equiv.) | | | | | | | | | | | | |
| Milk marketings | 47.8 | 47.3 | 191.8 | 48.2 | 50.2 | 48.5 | 48.1 | 195.0 | 49.5 | 50.7 | 48.7 | 197.5 |
| Beginning commercial stocks | 12.7 | 12.5 | 11.3 | 12.3 | 11.9 | 12.9 | 12.2 | 12.3 | 12.2 | 12.2 | 12.9 | 12.2 |
| Imports | 1.3 | 1.3 | 4.8 | 1.3 | 1.2 | 1.3 | 1.5 | 5.3 | 1.3 | 1.3 | 1.2 | 5.1 |
| Total supply | 61.7 | 61.0 | 208.0 | 61.7 | 63.3 | 62.7 | 61.8 | 212.5 | 63.0 | 64.2 | 62.9 | 214.8 |
| Commercial exports | 8.4 | 8.7 | 32.1 | 8.4 | 8.4 | 8.1 | 7.7 | 32.6 | 7.9 | 8.1 | 8.0 | 31.9 |
| Ending commercial stocks | 12.5 | 12.3 | 12.3 | 11.9 | 12.9 | 12.2 | 12.2 | 12.2 | 12.2 | 12.9 | 12.3 | 12.1 |
| 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 | 40.9 | 40.0 | 164.0 | 41.5 | 42.0 | 42.3 | 41.9 | 167.8 | 42.9 | 43.3 | 42.5 | 170.8 |
| Milk prices (dol./cwt) 1/ | | | | | | | | | | | | |
| All milk | 16.80 | 17.70 | 16.29 | 18.73 | 20.13 | 21.60 | 19.60- 20.00 | 20.00- 20.10 | 18.30- 19.00 | 17.15- 18.15 | 17.40- 18.40 | 17.75- -18.65 |
| Class III | 15.06 | 15.40 | 14.41 | 16.63 | 17.50 | 20.71 | 17.85 -18.25 | 18.15- 18.25 | 16.50- 17.20 | 15.55- 16.55 | 16.50- 17.50 | 16.30- 17.20 |
| Class IV | 16.04 | 16.29 | 15.09 | 18.08 | 20.37 | 20.00 | 17.85 -18.35 | 19.05- 19.25 | 16.55- 17.35 | 16.20- 17.30 | 16.35- 17.45 | 16.30- 17.30 |
| Product prices (dol./pound) 2/ | | | | | | | | | | | | |
| Cheddar cheese | 1.587 | 1.614 | 1.523 | 1.709 | 1.751 | 2.041 | 1.745- 1.785 | 1.810- 1.820 | 1.670- 1.740 | 1.585- 1.685 | 1.695- 1.795 | 1.665- 1.755 |
| Dry whey | 0.362 | 0.373 | 0.372 | 0.425 | 0.499 | 0.570 | 0.580- 0.600 | 0.515- 0.525 | 0.485- 0.515 | 0.455- 0.485 | 0.435- 0.465 | 0.455- 0.485 |
| Butter | 1.915 | 1.955 | 1.702 | 1.990 | 2.052 | 2.030 | 1.720- 1.790 | 1.940- 1.970 | 1.575- 1.675 | 1.595- 1.725 | 1.615- 1.745 | 1.600- 1.720 |
| Nonfat dry milk | 1.174 | 1.183 | 1.169 | 1.373 | 1.611 | 1.578 | 1.470- 1.510 | 1.505- 1.525 | 1.395- 1.455 | 1.345- 1.415 | 1.355- 1.425 | 1.355- 1.425 |

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/dyfmom/mib/fedordprc_dscrp.htm

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

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