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Livestock, Dairy, and Poultry Outlook

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Second-Half 2013 Red Meat and Poultry Supplies Higher Than in 2012

Note: Starting in May, this report contains [no data updates or analysis](#) on milk cows or milk output per cow.

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The next newsletter release is Aug 16, 2013

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Drought in the Western and Southwestern United States continues to motivate heavy cow slaughter. At the same time, feedlots continue to place heavy-weight feeder cattle that will likely result in increased beef production during the late summer and fall and exert downward pressure on fed cattle prices.

Beef/Cattle Trade: Beef exports rose 4.5 percent in May 2013 from a year ago to 217 million pounds. Beef imports totaled 204 million pounds in May 2013, a decline of 16 percent. The forecast for beef imports in 2013 was lowered to 2.4 billion pounds. U.S. cattle imports are expected to fall in 2013 to 2.05 million head, a decline of 9 percent year-over-year.

Recent Livestock, Dairy and Poultry Special Articles

“Japan Announces New Rules for Imports of U.S. Beef,” pdf pages 17-20 of the March 2013 Livestock, Dairy and Poultry Outlook report (<http://www.ers.usda.gov/media/1058622/ldpm225.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>)

“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>)

Pork/Hogs: The June 28th *Quarterly Hogs and Pigs* report indicated that record-high spring litter rates more than offset year-over-year lower farrowings in the March-May quarter. Consequently, fourth-quarter 2013 pork production is expected to be 6.2 billion pounds, an increase of 2.9 percent over a year earlier. Fourth-quarter hog prices are expected to average \$55-\$59 per cwt. U.S. pork exports did not decline as sharply in May as in previous months of this year. May pork exports were 430.6 million lbs, about 4 percent below the same period last year.

Poultry: Lower grain prices and an improved domestic economy are expected to result in higher broiler meat production in the second half of 2013 and into 2014. Broiler meat production in the second half of 2013 is expected to total 19.1 billion pounds, 3 percent higher than the previous year. Falling grain prices are also expected to impact turkey production, but not until 2014. Egg prices averaged \$1.10 per dozen in second-quarter 2013, 10 percent above the previous year. Prices have been boosted by strong exports to Mexico, whose domestic production continues to be impacted by an outbreak of avian influenza.

Poultry Trade: Broiler, turkey, egg, and egg products shipments in May 2013 were up from a year ago. Broiler shipments totaled 623.7 million pounds in May 2013, an increase of 4 percent from a year earlier. Turkey shipments increased 1 percent from a year earlier, totaling 62.3 million pounds, while egg exports totaled 37.9 million dozen in May 2013, a 53-percent increase from last May.

Sheep/Lamb: Second-quarter 2013 Choice slaughter lamb prices at San Angelo have retreated from its 2012 and first-quarter 2013 levels, but slight improvements are expected for the rest of the year due to tighter supplies of slaughter animals during the summer months.

Dairy: Feed prices are projected to be lower next year--but producers are likely to respond slowly as milk prices remain flat to down. Large stocks of cheese and butter will dampen prices. Nonfat dry milk stocks are high as well, but strong exports will strengthen prices somewhat.

Drought Continues To Force Cows to Market

As the drought continues in the Western and Southwestern States, cow slaughter has remained at relatively high rates. From mid-March through at least the week ending June 22, weekly federally inspected cow slaughter has exceeded year-earlier levels, with both beef and dairy cows contributing to the increased year-over-year slaughter. At the same time, weekly feeder cattle sales volumes were generally above year-earlier levels, averaging close to 2 percent above year-earlier sales. However, the tide turned during June when weekly sales volumes declined by more than 15 percent year-over-year. These developments imply inventory changes, which could foreshadow future declines in cow inventories, feeder cattle supplies, and, ultimately, beef production.

Traditionally, average placement weights peak during March-May and again toward the end of summer during July-October. Dressed weights generally bottom in April or May, and then begin increasing into fall, peaking during October. Peak marketings often occur during June when dressed weights begin to increase seasonally from their lows.

Ironically, larger numbers of feeder steers over 800 pounds were placed on feed during March-May 2013 than during the same period in 2012. The share of feeder cattle over 600 pounds making up weekly sales volumes was continuing much higher through the first week in July than is typical and indicates the potential for further large placements of heavy feeder cattle on feed. Despite corn prices in the \$7 per bushel range, 750-800-pound feeder steer prices at Oklahoma City have increased steadily since bottoming in late May. These heavy-weight placements will be on feed for relatively short periods and will likely be ready to market during the July-October window, or later if similar heavy placements were made in June or after.

Placements of Heavy Feeder Cattle Could Increase Summer/Fall Beef Production

The prospect of larger than usual numbers of heavy placements being market-ready later in the summer and into the fall has exerted downward pressure on both fed cattle prices and wholesale beef cutout values. Since peaking in early May at \$129.02 per cwt, weekly fed cattle prices have declined steadily to just above \$120 per cwt. Despite the recent declines and excluding February and March (when prices were lower year-over-year), monthly fed cattle prices have been higher year-over-year since January 2010. Cattle feeding margins have been negative since May 2011. The lower fed cattle prices have increased the likelihood of further losses to cattle feeders, despite declining feeding costs.

Carcass weights are beginning to increase again after reaching a seasonal low in mid-May. While weights are expected to be higher year-over-year for the remainder of 2013 and into 2014, they may not be double-digit higher (in percentage terms) as they have been recently. The recent increases in dressed weights have been attributed to the positive effects of increased use of beta-agonist on final weights for about a year or so. Beta-agonist use is not likely to increase at the same rate as in the recent past, so weights should likewise not increase as

much. However, it is possible that the greater placement of over-800-pound feeder cattle on feed could also result in heavier dressed weights, contributing to further relatively large year-over-year dressed-weight increases.

Between mid-June and early July, Choice and Select cutout values moved in opposite directions, thus narrowing the spread between them—Choice cutout values are declining, while Select cutout values are generally increasing. Byproduct values are at near-record levels and are contributing to positive packer margins. The price of 50-percent trim, though also well below record levels, has again reached the levels observed just before the media coverage of Lean Finely Textured Beef in March 2012 triggered a price decline. The Livestock Market Information Center suggests several reasons for the increased prices for 50-percent trim. Among them is the large number of cows being slaughtered, a primary source of processing beef to blend the 50-percent trim to make ground beef products. Other reasons include disruptions in the supply of trim from Canada due to the recent flooding and increased use of 50-percent trim in U.S. packers' ground-beef blends. Retail beef prices have declined since peaking in March, in part due to unfavorable grilling weather and beef prices that are high relative to other animal proteins. However, June retail prices jumped to \$5.29 per pound, near the March record of \$5.30, likely due to the run-up in the price of 50-percent lean trim.

Beef/Cattle Trade

U.S. Cattle Imports from Mexico Continue To Decline

U.S. cattle imports for 2013 are forecast at 2.05 million head, about 9 percent lower than a year ago. While imports from Canada are expected to rise, a fall in imports from Mexico will offset the gain. According to AMS weekly reports, cattle imports from Mexico through July 6 were 45 percent below year-earlier levels, a reflection of smaller inventories in Mexico. Through June 29, AMS reports show that imports from Canada are 36 percent higher than the previous year due to a significant rise in imports of feeder and slaughter cattle. Total cattle imports for 2014 are forecast at 2 million head, or 2.5 percent lower than 2013 levels.

U.S. Beef Exports Rise in May

U.S. beef exports were 217 million pounds in May – an increase of 4.5 percent from May 2012 – but trade is down 2 percent for the year. Exports have risen through May to Japan (+51 percent), Hong Kong (+52 percent), Canada (+16 percent) and Taiwan (+126 percent), but have been offset by declines in trade to Vietnam (-85 percent), Mexico (-25 percent), and South Korea (-24 percent). Exports in 2013 are forecast at 2.3 billion pounds, about 6 percent lower than 2012. Exports are forecast lower this year due to a 2.5 percent decline in beef production and forecast to decline slightly in 2014, again due to lower production.

U.S. Beef Imports Revised Lower in 2013

U.S. beef imports fell in May 2013 to 204 million pounds, a decline of 16 percent from last year. From January through May, total imports were down only 1 percent compared with year-earlier levels as lower shipments from Canada (-20 percent) and Australia (-17 percent) were partly offset by increases from New Zealand (+26 percent) and Mexico (+20 percent). Imports are forecast to increase 8 percent in 2013 to 2.4 billion pounds, but the forecast was lowered from last month to reflect weaker than expected demand and higher prices. Imports in 2014 are forecast at 2.74 billion pounds, or an increase of 14 percent year-over-year.

March-May Litter Rates Are Record-High

USDA's latest release of the *Quarterly Hogs and Pigs* report showed June 1 inventories of breeding animals and market hogs largely unchanged from a year-ago. June 1st breeding animal numbers were 5.882 million head vs. 5.862 million head a year earlier, and for market hogs, the report showed an inventory of 60.765 million head on June 1 vs. 60.797 million head a year ago.

The March-May farrowings came in at 2.921 million litters, more than 2 percent below farrowing in the same period last year. These 2013 spring farrowings are noteworthy for several reasons. First, while farrowing intentions for spring 2013, reported in December 2012 and March 2013, were each lower than a year earlier, the intentions published in March indicated that producers expected to farrow only 1 percent fewer sows than a year ago. As a result, the 2 percent lower actual farrowings reported in June were something of a surprise for the industry. A published poll of industry analysts showed average expectations for 2013 March-May farrowings at 99.1 percent of spring farrowings in 2012.
<http://www.dailylivestockreport.com/documents/DLR%2006-27-2013.pdf>

It is also worth noting that the March-May farrowings reported in June, as a proportion of the March 1 breeding inventory, are somewhat lower than a year ago. This year, 50.1 percent of the March 1 breeding herd farrowed in the March-May quarter; last year, that proportion was 51.2 percent. The 3- and 5-year averages are, respectively, 50.8 percent and 50.4 percent.

Why are pork producers appearing to allow productive capital (their sow herds) to remain less productive than a year ago? It could be that for some producers, the configuration of expected high summer cash feed costs and expected hog prices do not provide sufficient incentive to push hard on their breeding herds, i.e., to reduce the time between farrowing, weaning, and re-breeding.

The foregoing discussion is largely rendered moot, however, by the record-high litter rates that were reported for the spring pig crop in the June report. The reported litter rate for the March-May pig crop was 10.31 pigs per litter, the highest ever achieved by the U.S. pork industry. So while farrowings were lower than expected, the sky-high litter rate more than offset the fact that fewer sows farrowed. The 2013 spring pig crop, 30.111 million animals, is slightly ahead of the 2012 spring pig crop of 30.077 million pigs. Higher spring litter rates are likely largely attributable to much-improved genetics and to better sow barn management. The fact that the breeding herd was not being pushed to maximize production—as suggested by the lower farrowing-to-breeding herd ratio—may also have contributed to the record-high litter rate.

On the basis of the June report, USDA adjusted fourth-quarter 2013 pork production, to 6.4 billion pounds, 2.9 percent higher than a year earlier. Fourth-quarter prices of live equivalent 51-52 percent lean hogs are expected to average \$55 and \$59 per cwt. For the current quarter, U.S. commercial pork production is forecast at 5.7 billion pounds, an increase of 1 percent over the same period a year ago. Third-quarter hog prices are expected to average \$65 and \$67 per cwt.

Exports to Japan and Mexico Higher in May

U.S. pork exports in May were 430.6 million pounds, almost 4 percent below a year ago. Through April 2013, U.S. exports averaged almost 15 percent below the first 4 months of 2012, suggesting that the rate of year-over-year export reductions may be slowing. Higher May exports to both Japan and Mexico helped to keep May 2013 total exports close to those of May 2012. Points of weakness persist, however: lower shipments to South Korea, China/Hong Kong, and Russia account for most of the shortfall compared with May 2012. May exports to the 10 largest foreign buyers of U.S. pork are summarized in the table below.

Second-quarter 2013 U.S. pork exports are expected to total 1.23 billion pounds, 5.5 percent below the same period last year. For the year, exports are forecast to total 5.03 billion pounds, almost 7 percent below a year ago. For 2014, exports should recover to 5.3 billion pounds for an increase of almost 5 percent above export volumes this year.

Ten largest export markets for exported U.S. pork, May 2013

		2013	2012	Percent Change	2013	2012
		Million lbs.	Million lbs.	year-over-year	Share of Exports	Share of Exports
				%	%	%
	World	430.6	448.2	-3.9		
1	Japan	117.3	109.3	7.3	27.2	24.4
2	Mexico	101.1	92.7	9.1	23.5	20.7
3	China/Hong Kong	60.7	70.4	-13.7	14.1	15.7
4	Canada	49.5	50.1	-1.0	11.5	11.2
5	South Korea	24.0	29.5	-18.5	5.6	6.6
6	Australia	10.7	13.2	-19.0	2.5	2.9
7	Philippines	10.5	6.4	64.1	2.4	1.4
8	Colombia	8.2	2.5	222.5	1.9	0.6
9	Dominican Rep.	6.9	2.7	160.4	1.6	0.6
10	Taiwan	6.1	2.4	154.4	1.4	0.5

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

Broiler Meat Production Down Slightly in May

In May, broiler meat production totaled 3.3 billion pounds, a small decline (0.3 percent) from May 2012. The decline stemmed from a 0.7 percent decline in the number of birds slaughtered in May compared with a year earlier, partially offset by a small increase in the average live-weights, which rose to 5.87 pounds.

U.S. broiler meat production for the first 5 months of 2013 was 15.6 billion pounds, 1.6 percent above the same period in 2012. The increase in broiler meat production so far in 2013 is the result of a small increase in the number of birds being slaughtered, up 0.4 percent, and a 1.1 percent increase in their average live weight to 5.90 pounds. Average live weights have been higher on a year-over-year basis in 15 of the last 17 months.

With an expectation of lower grain prices later in 2013, broiler integrators are expected to expand production in both the third and fourth quarters of 2013 and into 2014. The broiler meat production estimate for the second half of 2013 is 19.1 billion pounds, 3 percent higher than the previous year. Factors pointing toward this increase include a higher number of hens in the broiler breeder flock and higher numbers of both eggs being placed in incubators and chicks being placed for growout than in the same period a year earlier.

During May, the number of birds in the broiler-breeder flock was estimated at 53.4 million, 1.2 percent higher than a year earlier. On a year-over-year basis, the size of the broiler-breeder flock has been higher than the previous year for the last 6 months. With this increase in broiler-breeder hens, the number of eggs placed in incubators and chicks hatched are expected to continue higher than the previous year, and this is expected to increase the numbers of birds available for slaughter. These increases caused the estimate for eggs produced for hatching to be increased by 5 million dozen in both the second and third quarters of 2013.

Over the last 5 weeks (June 8 to July 6), the average number of chicks being placed weekly for growout was 168 million, 0.9 percent higher than in the same period in 2012. The difference between weekly chick placements this year and in the same period in 2012 has grown considerably in the last several weeks. The number of chicks being placed for growout is expected to continue to remain higher than the previous year over the next few-weeks at least, as eggs being placed in incubators over the last 5 weeks have averaged 2.9 percent more than in the previous year.

Broiler meat production is expected to have been 9.5 billion pounds, up 1.3 percent in second-quarter 2013 compared with the previous year. Higher year-over-year increases in broiler meat production are expected in the third and fourth quarters of 2013. These increases in production are expected to come from gains in both the number of birds slaughtered and average live weight per bird. These production increases are expected to generally have a depressing impact on wholesale broiler parts prices, but this may be offset by a strong export market and a generally improving domestic economy.

Prices for whole birds averaged \$1.09 per pound during second-quarter 2013, 28 percent higher than a year earlier. The increase in broiler meat prices also held for

a number of other breast meat products. Prices for boneless/skinless breast meat in the Northeast market averaged \$1.89 per pound in June, 37 percent higher than the previous year, and prices for breast meat with ribs were \$1.44 per pound, an increase of 28 percent from a year earlier. Prices for leg meat products have also risen, although not as much; leg quarter prices in June averaged \$0.53 per pound, an increase of 2 percent from a year earlier, and prices for boneless skinless thighs and whole thighs were 11 and 12 percent higher. The only broiler part that was down significantly from the previous year was wings at \$1.48 per pound, a decrease of 18 percent.

Broiler meat stocks at the end of May totaled 651 million pounds, 8 percent higher than a year earlier. While the total overall stocks of broiler meat products were higher, the year-over-year difference in cold storage stocks varied widely for the different broiler products. Stocks of whole birds, leg quarters, thighs, and wings were all higher, while stocks of breast meat, drumsticks, legs, thigh meat, and “other” products were all down significantly. Stocks for whole birds were 14.4 million pounds, an increase of 6 percent from the previous year. Stocks of leg quarters rose by 42 million pounds from the previous year to 148 million pounds, an increase of 39 percent. Stocks of wings increased the most, jumping up by 50 million pounds, 121 percent higher than at the end of May 2012. Since the beginning of 2013, stocks of breast meat have fallen by 3 million pounds and this decrease has been reflected in stronger wholesale prices over the last several months. Wing stocks have been rising steadily in 2013, from 60 million pounds at the end of January to over 90 million pounds at the end of May. During this time, wholesale prices have generally been falling, but in the last several weeks wholesale prices for wings seem to have bottomed out and have begun to rise.

Through the third quarter, cold storage holdings of broiler products are expected to gradually decrease. While broiler meat production on a year-over-year basis is expected to be higher, which would normally tend to increase stocks, it is expected to be offset by a strong export market and a gradually expanding domestic economy. Overall, broiler stocks are expected to slowly decline until the end of the third quarter and then rise to 635 million pounds by the end of the year, still 2.5 percent lower than the previous year.

Turkey Production Falls in May

Turkey meat production totaled 508 million pounds in May 2013, down 2.3 percent from a year earlier. The May decrease was the result of a decline in the number of turkeys slaughtered, down 4.5 percent from a year earlier to 21 million birds. This strong decline was partially offset by an increase in the average live weight at slaughter to 30.6 pounds (up 2.4 percent). The decrease in the number of turkeys slaughtered is expected to continue in future months as there have been large reductions in the numbers of poults placed for growout for the last several months. Over the first 5 months of 2013, turkey meat production has totaled 2.5 billion pounds, 1 percent above the same period in 2012. However, the year-to-date increase in turkey meat production has been declining almost steadily since the beginning of the year. The average live weight for turkeys at slaughter during the January to May period was 31 pounds, 2 percent higher than in the same period in 2012. The cumulative number of birds slaughtered through the first 5 months of 2013 totaled about 100 million, a decline of 1 percent.

Although grain prices are expected to decline towards the end of 2013, turkey meat production is expected to be below year-earlier levels in both the third and fourth quarters of the year. The turkey meat production estimates for the third and fourth quarters of 2013 were both lowered by 25 million pounds, largely the result of lower estimates of the number of turkeys that will be available for slaughter in the second half of 2013. Partially offsetting these declines is an expected increase in average weights.

At the end of May, cold storage holdings of all turkey products totaled 520 million pounds, up 4 percent from a year earlier. The increase has been due to higher stocks of whole birds, up 12 percent, and lower cold storage holdings of turkey parts, down 4 percent. Cold storage holdings of whole turkeys totaled 286 million pounds, and holdings of turkey parts were 233 million pounds.

The cold storage holding of whole birds varies widely by sex, with stocks of whole hens at 133 million pounds down 3 percent from the previous year and stocks of whole toms at 153 million pounds, 28 percent higher than at the same time in 2012. The decrease in turkey parts in cold storage has occurred as production has declined relative to the previous year while the export market has remained relatively strong. The majority of the decline in cold storage holdings for turkey products is due to a strong decline in stocks of legs. At the end of May, cold storage holdings of turkey leg products totaled 13.2 million pounds, over 40 percent lower than a year earlier. Stocks of breast meat were also lower. Stocks of turkey products (whole birds and parts) are expected to follow the normal seasonal pattern of increasing through the third quarter and then declining during the peak demand period in the fourth quarter. With lower production expected for the second half of 2013, ending turkey stocks for 2013 are forecast at 300 million pounds, about 1.4 percent higher than a year earlier.

Egg Production Expected Higher in Second Quarter

U.S. table egg production totaled 577 million dozen in May, up 3 percent from the same period the previous year. Higher table egg production in May was the result of an increase in the number of layers in the table egg flock. During May, the number of hens in the table egg laying flock averaged 288 million, up 1.3 percent from a year earlier, and the rate of lay for those layers was also up slightly, (0.3 percent). With wholesale prices relatively strong, around \$1.15 per dozen in the New York market in early July, and feed prices expected to decline as the year progresses, egg production in the second half of the year is expected to continue to expand. Second-half 2013 table egg production is expected to total 3.5 billion dozen, 1.6 percent higher than the previous year, due chiefly to a larger table egg flock.

Wholesale prices for grade A large eggs in the New York market averaged \$1.10 per dozen in second-quarter 2013, up 10 percent from the previous year. At the end of June into the beginning of July, table egg prices have averaged around \$1.14-1.15 per dozen. Table egg prices are expected to remain below previous year prices through the remainder of 2013. However, the potentially price-depressing impact of higher egg production is expected to be partially offset by a very strong export market for shell eggs to Mexico. Mexico's shell egg production is attempting to recover from the effects of an earlier outbreak of avian influenza and the demand for imported supplies has increased, with the United States the major supplier.

Poultry Trade

Broiler Shipments Remained Strong in May

Broiler shipments in May 2013 rose 4 percent from a year earlier, totaling 623.7 million pounds. The primary reason for this increase was strong demand from Mexico. The United States shipped 157 million pounds of broiler meat to Mexico in May 2013, a 50-percent increase from last year. Of the 623.7 million pounds of broiler meat shipped in May 2013, one-fourth of the total went to Mexico. Other markets that made noticeable contributions percentage-wise were Lithuania and United Arab Emirates. Over 12 million pounds of broiler meat were shipped to Lithuania in May 2013, a fivefold increase. The U.S. broiler meat shipments to United Arab Emirates rose 104 percent from last May.

Turkey Shipments Continue Strong in May

Turkey shipments totaled 62.3 million pounds in May 2013, up 1 percent from a year ago. The chief source of increased turkey shipments was Mexico's strong demand for turkey parts. The U.S. shipped over 33 million pounds of turkey meat to Mexico in May 2013, an increase of 7 percent from a year earlier. May's shipment was the largest volume of turkey meat shipped by the U.S. to Mexico in 2013. Other leading turkey markets such as China, Canada, and the Philippines were down in May 2013 from a year ago.

Egg and Egg Products Shipments Up in May

Egg and egg products shipments in May 2013 were up 53 percent from a year ago. A total of 37.9 million dozen eggs were shipped. May's increase in total egg shipments is almost solely due to the large demand from Mexico. In May 2012, the U.S. shipped only 1.2 million dozen eggs to Mexico compared with 18.5 million dozen eggs a year later. Seventy-eight percent of the egg shipments to Mexico were shell eggs used for consumption. Mexico is still having issues with its egg-laying flocks, attributed to the June 2012 Avian Influenza outbreak that occurred at layer farms in Jalisco and Aguascalientes.

Sheep/Lamb

Lamb and Mutton Prices Retreat, but May Show Slight Improvement for the Rest of the Year

Second-quarter 2013 Choice slaughter lamb prices at San Angelo were \$91.72 per cwt, down nearly \$16 from the first-quarter and \$35.36 from second-quarter 2012 levels. Third-quarter 2013 prices are forecast to average \$95-\$97 per cwt, a slight improvement from the second quarter due to tighter supplies of slaughter animals during the summer months.

Quarterly seasonality in lamb and mutton production appears to be a thing of the past, although there are slight variations in monthly production. Quarterly production has hovered near 39 million pounds since the first quarter of 2012. Production for May 2013 was 14.3 million pounds, almost 5 percent above previous-year levels. Second-quarter 2013 lamb and mutton production is forecast at 39 million pounds, equaling the same period in 2012. However, as attempts at herd rebuilding continue, production is expected to decline slightly and fall below 2012 levels for the rest of 2013. Improved weather conditions in much of the United States could positively influence retention and negatively impact production patterns for the rest of the year. Typically, summer months are culling season for sheep producers, and good pasture conditions could result in more retention and lower than normal cull rates.

Lamb and mutton imports have shown strength. First-quarter 2013 imports totaled 49 million pounds, 33 percent above the first-quarter 2012 levels. Imports in May came in at 13 million pounds, slightly less than May 2012. Second-quarter 2013 imports are expected to be around 41 million pounds, about 8 percent above second-quarter 2012. The stronger U.S. currency relative to those of New Zealand and Australia, coupled with the gradual improvement in the economy, have likely impacted import levels for 2013 thus far.

First-quarter 2013 exports totaled 2 million pounds, 33 percent below those of the same period in 2012. However, exports for May totaled 0.6 million pounds, 20 percent above the May 2012 levels. Exports for June are expected to show much improvement as increased culling favor stronger exports. Second-quarter 2013 exports are forecast at 4 million pounds.

Live Sheep Exports to Mexico Resume

In 2012, of the 55,646 live sheep exported by the United States, only 328 head were exported to Mexico. Mexico has historically been the recipient of a large majority of U.S. live sheep exports. For the first 5 months of 2013, the United States exported 14,107 live sheep, a decline of nearly 6,000 head from the same period last year. First-quarter 2013 saw a resumption of live sheep exports to Mexico with 3,844 head (48 percent). In April and May 2013 combined, Mexico received 5,771 head of sheep from the United States, accounting for 95 percent of U.S. live sheep exports. Live exports are expected to increase further as producers make culling decisions during the summer months.

Feed Price Relief on the Horizon for Producers but High Stocks Dampen Milk and Product Prices

Corn prices for the 2012/13 year are unchanged in July at \$6.75-\$7.15 per bushel. For the 2013/14 year, corn prices were also unchanged from last month at \$4.40-\$5.20 per bushel. The production forecast for the 2013 corn crop was lowered based on lower expected harvested acreage. However, slightly higher imports and reduced feed and residual use maintained prices. The soybean meal price forecast remains at \$290-\$330 per ton where it was in June. According to the most recent Agricultural Prices report, preliminary June alfalfa prices were \$220 per ton, fractionally lower than May but 10 percent above the June 2012 price.

The 2013 milk production forecast was raised slightly in July. Second-quarter estimated production was higher than forecast last month, and milk production is expected to remain slightly higher for the remainder of the year. Production is forecast at 202.0 billion pounds for 2013 and at 204.5 billion pounds in 2014, unchanged from June's forecast. Producers will see lower feed prices into 2014, but milk prices are forecast slightly lower as well. The net effect should be a modest expansion in milk production by late next year.

Current year fat basis imports were unchanged in July at 4.1 billion pounds and are expected to hold at 4.1 billion pounds in 2014. This year's skim-solids basis imports were lowered to 5.5 billion pounds as the pace of milk protein concentrate imports lags last year. Imports are forecast at 5.4 billion pounds for 2014, unchanged from June's forecast. Current-year fat basis exports were raised this month to 10.1 billion pounds. Monthly cheese exports led 2012 exports through April and were just slightly behind May 2012. Butterfat exports rebounded in May after a steep fall off in April, contributing to a more optimistic 2013 export total. Fat basis exports are forecast at 10.3 billion pounds for 2014, unchanged from last month. Growth in global demand for dairy products and less foreign competition are the bases for the forecast. Current-year skim-solids exports were raised in July to 36.6 billion pounds but were unchanged in 2014 from the June forecast at 36.4 billion pounds. Nonfat dry milk (NDM) exports shot up in April and May leading to the higher 2013 export forecast. Whey product exports year-to-date have been leading the corresponding 2012 monthly totals and advanced sharply in May, further bolstering the forecast.

Fat-basis ending stocks were raised from June forecasts and remain high by historic standards. The most recent Cold Storage report placed cheese stocks above last year's stocks. Butter stocks especially seem to be accumulating. Fat-basis ending stocks were raised to 13.7 billion pounds. A continued increase in both domestic and foreign demand for dairy products is expected to draw down 2014 ending stocks to 12.8 billion pounds. Skim-solids stocks are forecast at 13.0 billion pounds for the current year, slipping to 12.8 billion pounds by the end of 2014. In May, NDM stocks were above both a month earlier and a year earlier.

Cheese prices were lowered fractionally in July to \$1.735-\$1.765 per pound for the current year. Cheese prices are expected to decline to \$1.630-\$1.730 per pound in 2014. Butter prices are forecast at \$1.515-\$1.575 per pound in 2013 and at \$1.450-\$1.580 per pound in 2014; both downward revisions from June forecasts.

Higher stocks of these products--especially this year and carrying into next year--will likely pressure prices. Despite higher stocks, price prospects for NDM reflect continued strong export demand for dry milk products and reduced supplies from the European Union. The NDM price is projected at \$1.615-\$1.645 per pound, an increase from last month for the current year, and at \$1.585-\$1.655 per pound next year, unchanged from June. Whey prices are unchanged from the June forecast at 58.5-60.5 cents per pound this year and 56.5-59.5 cents per pound for 2014.

Class III milk prices were lowered slightly in July to \$ 17.65-\$17.95 per cwt reflecting the lower forecast cheese price. Next year, the Class III price is projected to slip to \$16.60-\$17.60 per cwt on weaker expected cheese prices. The Class IV price forecast was unchanged this month, but the price range was narrowed to \$18.20-\$18.60 per cwt. Next year's Class IV price also lowered from the June forecast to \$17.65-\$18.75 per cwt based on lower forecast butter prices. The prospect of higher forecast milk production in 2014 compared with 2013 will also pressure prices downward. The 2013 all milk price was lowered this month to \$19.50-\$19.80 per cwt and to \$18.70-\$19.70 per cwt for 2014.

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Data Products

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>
Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>
Hogs, <http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx>
Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>
WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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U.S. red meat and poultry forecasts

	2010					2011					2012					2013					2014		
	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	6,248	6,546	6,768	6,741	26,305	6,410	6,559	6,736	6,490	26,195	6,283	6,473	6,586	6,572	25,913	6,172	6,490	6,480	6,195	25,337	5,795	6,235	24,105
Pork	5,607	5,302	5,401	6,126	22,437	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,244	23,253	5,777	5,515	5,685	6,425	23,402	5,930	5,700	24,135
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	39	39	39	39	156	38	39	38	38	153	37	38	149
Broilers	8,733	9,198	9,496	9,484	36,910	9,290	9,509	9,542	8,860	37,201	9,089	9,381	9,372	9,197	37,039	9,143	9,500	9,625	9,500	37,768	9,450	9,800	38,850
Turkeys	1,340	1,383	1,415	1,506	5,644	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,459	1,485	1,450	1,525	5,919	1,475	1,550	6,175
Total red meat & poultry	22,122	22,626	23,291	24,058	92,097	23,011	23,113	23,396	23,225	92,745	22,866	23,085	23,274	23,738	92,962	22,742	23,190	23,440	23,834	93,206	22,840	23,490	94,059
Table eggs, mil. doz.	1,610	1,626	1,645	1,666	6,547	1,624	1,634	1,646	1,686	6,590	1,658	1,653	1,677	1,734	6,722	1,680	1,695	1,720	1,745	6,840	1,710	1,720	6,940
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	14.0	14.7	14.5	14.2	57.4	13.7	14.6	14.4	13.8	56.5	13.0	14.0	54.1
Pork	11.8	11.4	11.7	12.8	47.8	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.5	11.1	11.6	12.9	47.0	11.7	11.4	47.9
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	0.8	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.8
Broilers	20.1	20.5	21.4	20.4	82.4	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.1	20.3	20.7	20.4	81.5	20.4	21.2	83.5
Turkeys	3.5	3.6	4.1	5.2	16.4	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	16.2	3.6	3.9	16.8
Total red meat & poultry	50.7	51.2	53.3	53.7	208.9	51.3	51.3	51.0	51.0	204.6	49.3	50.3	50.6	52.0	202.2	49.5	50.3	51.3	52.6	203.7	49.3	51.1	204.8
Eggs, number	61.5	61.4	62.2	62.8	247.9	61.1	61.3	62.2	63.1	247.6	62.3	61.2	62.2	64.0	249.7	62.4	62.1	63.0	63.9	251.4	62.4	62.9	253.6
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	125.29	120.91	119.69	125.54	122.86	125.52	124.95	123-127	123-131	124-127	124-134	126-136	126-137
Feeder steers, Ok City, \$/cwt	98.73	112.65	112.29	113.55	109.31	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	141.36	133.10	138-142	148-156	140-143	153-163	161-171	160-170
Cutter Cows, National L.E., \$/cwt	51.79	58.79	58.90	54.93	56.10	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	77.87	77.48	78-81	77-81	77-80	79-83	81-87	81-85
Choice slaughter lambs, San Angelo, \$/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	107.53	91.72	94-98	98-106	98-101	98-108	101-111	97-107
Barrows & gilts, N. base, Le. \$/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	59.03	65.46	65-67	55-59	61-63	58-62	60-64	58-62
Broilers, 12 City, cents/lb	82.20	85.00	84.50	80.00	82.90	77.90	82.60	78.80	76.80	79.00	87.40	85.1	82	92.1	86.6	103.5	108.6	102-106	96-102	102-105	90-98	92-100	91-99
Turkeys, Eastern, cents/lb	75.60	84.40	97.90	103.70	90.40	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	96	97.7	99-103	100-108	98-101	90-98	93-101	95-102
Eggs, New York, cents/doz.	126.00	82.80	93.10	123.20	106.30	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	126.9	109.9	113-117	119-127	117-120	110-120	101-109	107-116
U.S. trade, million lb																							
Beef & veal exports	478	585	590	646	2,299	633	702	766	683	2,785	558	625	651	621	2,455	557	600	605	550	2,312	525	600	2,300
Beef & veal imports	573	690	598	436	2,297	461	593	548	454	2,057	582	669	516	452	2,219	590	645	605	560	2,400	670	725	2,740
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	37	38	38	40	153	49	41	38	42	170	44	42	164
Pork exports	1,046	1,081	951	1,146	4,224	1,248	1,200	1,261	1,481	5,189	1,444	1,302	1,252	1,386	5,384	1,218	1,230	1,190	1,390	5,028	1,270	1,295	5,255
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	205	801	207	210	200	200	817	210	210	820
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,527	1,588	1,978	1,879	6,971	1,737	1,791	1,867	1,886	7,281	1,777	1,834	1,799	1,944	7,354	1,799	1,900	7,571
Turkey exports	114	136	158	174	582	159	171	173	199	703	181	185	216	218	800	178	180	180	195	733	205	210	840
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	1,508	5,795	1,441	1,444	1,387	1,380	5,652	1,326	1,340	1,340	1,390	5,396	1,325	1,340	5,395

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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7/16/2013

Dairy Forecasts

	2012					2013					2014	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.) 1/	9,257	9,259	9,211	9,203	9,233	9,225	N/A	N/A	N/A	N/A	N/A	N/A
Milk per cow (pounds)	5,514	5,563	5,284	5,335	21,696	5,475	N/A	N/A	N/A	N/A	N/A	N/A
Milk production (bil. pounds)	51.0	51.5	48.7	49.1	200.3	50.5	51.9	49.8	49.8	202.0	51.1	204.5
Farm use	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	1.0
Milk marketings	50.8	51.3	48.4	48.9	199.4	50.3	51.7	49.6	49.6	201.1	50.9	203.6
Milkfat (bil. pounds milk equiv.)												
Milk marketings	50.8	51.3	48.4	48.9	199.4	50.3	51.7	49.6	49.6	201.1	50.9	203.6
Beginning commercial stocks	10.9	13.6	14.7	13.2	10.9	12.2	15.1	17.0	15.3	12.2	13.7	13.7
Imports	0.9	0.9	1.0	1.3	4.1	1.1	0.9	1.0	1.1	4.1	1.0	4.1
Total supply	62.6	65.8	64.1	63.4	214.3	63.5	67.7	67.6	66.0	217.3	65.6	221.3
Commercial exports	2.2	2.8	2.0	1.9	8.8	2.4	2.8	2.7	2.2	10.1	2.4	10.3
Ending commercial stocks	13.6	14.7	13.2	12.2	12.2	15.1	17.0	15.3	13.7	13.7	16.2	12.8
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	46.8	48.3	48.9	49.4	193.3	46.0	47.9	49.5	50.1	193.5	47.0	198.2
Skim solids (bil. pounds milk equiv.)												
Milk marketings	50.8	51.3	48.4	48.9	199.4	50.3	51.7	49.6	49.6	201.1	50.9	203.6
Beginning commercial stocks	11.8	12.9	12.6	11.8	11.8	12.4	13.7	14.0	12.6	12.4	13.0	13.0
Imports	1.4	1.4	1.4	1.5	5.7	1.5	1.2	1.3	1.5	5.5	1.5	5.4
Total supply	64.0	65.6	62.5	62.1	216.9	64.1	66.6	64.9	63.6	218.9	65.3	221.9
Commercial exports	8.3	9.0	8.3	7.6	33.3	8.3	10.2	9.4	8.6	36.6	8.8	36.4
Ending commercial stocks	12.9	12.6	11.8	12.4	12.4	13.7	14.0	12.6	13.0	13.0	13.4	12.8
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.8	43.9	42.4	42.1	171.2	42.1	42.4	42.9	42.0	169.3	43.2	172.7
Milk prices (dol./cwt) 2/												
All milk	17.90	16.43	18.27	21.50	18.53	19.50	19.63	19.40	19.60	19.50	18.30	18.70
								-19.80	-20.30	-19.80	-19.30	-19.70
Class III	16.28	15.53	17.80	20.17	17.44	17.44	18.04	17.35	17.85	17.65	16.30	16.60
								-17.75	-18.55	-17.95	-17.30	-17.60
Class IV	15.94	13.86	15.87	18.34	16.01	17.71	18.62	18.65	17.90	18.20	16.90	17.65
								-19.15	-18.70	-18.60	-18.00	-18.75
Product prices (dol./pound) 3/												
Cheddar cheese	1.559	1.547	1.773	1.952	1.708	1.686	1.780	1.715	1.760	1.735	1.610	1.630
								-1.755	-1.830	-1.765	-1.710	-1.730
Dry whey	0.646	0.544	0.541	0.643	0.594	0.632	0.575	0.565	0.575	0.585	0.555	0.565
								-0.585	-0.605	-0.605	-0.585	-0.595
Butter	1.499	1.409	1.684	1.785	1.594	1.555	1.622	1.485	1.430	1.515	1.365	1.450
								-1.555	-1.530	-1.575	-1.495	-1.580
Nonfat dry milk	1.368	1.170	1.269	1.505	1.328	1.546	1.620	1.680	1.625	1.615	1.545	1.585
								-1.720	-1.685	-1.645	-1.615	-1.655

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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