



Economic Research Service

Situation and Outlook

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Livestock, Dairy, and Poultry Outlook

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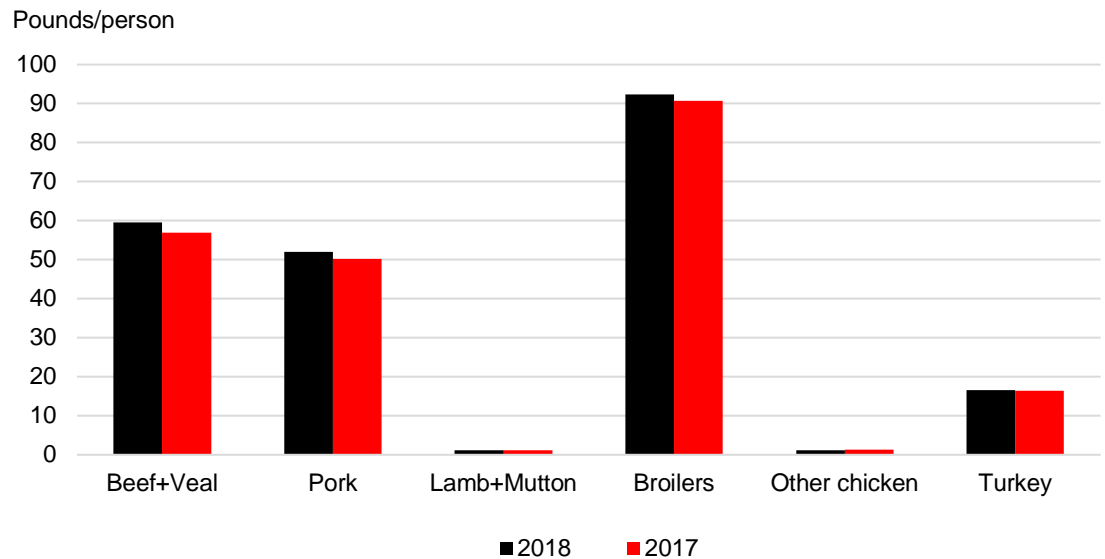
2018 Per Capita Red Meat and Poultry Disappearance Record-High

Production increases in the U.S. beef, pork, and broiler industries expected in 2018 will likely lead to larger quantities of red meat and poultry available to U.S. consumers. Red meat and poultry disappearance is calculated as the volume of meat and poultry production that remains for domestic use after subtracting net trade and changes in cold storage volumes. Dividing this residual by the U.S. population yields the per capita quantity, which is used in the domestic market. For 2018, that per capita quantity is projected to be the equivalent of 222.8 pounds, the highest since the series calculation began.

The most important factors driving per capita disappearance this year are forecast increases in year-over-year production of beef (+6.1 percent), pork (+5.4 percent), and broiler meat (+2.1 percent).

Per capita disappearance is entirely a supply statistic and does not take account of waste or nonfood uses of livestock meat products. It imparts no information about prices, tastes and preferences, and other factors that ultimately determine how much red meat and poultry individual consumers will choose to buy and consume.

Per capita disappearance of red meats and poultry, retail basis



Source: USDA, Economic Research Service.

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Tables will be released on January 30, 2018

The next Outlook Report release is February 14, 2018

Approved by the World Agricultural Outlook Board.

Cattle/Beef: Dry conditions in the Southern Plains stressed pasture availability, supporting strong placements of calves in feedlots in fourth-quarter 2017. As a result, beef production for 2018 is forecast higher at 27.8 billion pounds on greater expected marketings in the first half of the year. For 2017, beef imports are revised upward to 2.98 billion pounds but remain 1.3 percent below a year ago.

Dairy: With stagnant growth in milk cow numbers and yield per cow last month, the milk production estimate for 2017 has been lowered to 215.5 billion pounds. Slower growth in cow inventories and milk per cow at the end of 2017 and lower prices have motivated a reduction of 0.5 billion pounds in the 2018 milk production forecast to 218.8 billion. 2018 imports on both milk-fat and skim-solids bases are forecast slightly lower at 6.0 and 5.9 billion pounds, respectively, while exports are forecast slightly higher at 9.5 and 42.0 billion pounds, respectively. Domestic use is forecast 0.8 billion pounds lower in 2018 than last month's forecast on both milk-fat and skim-solids bases. Product price forecasts for 2018 have been lowered across the board as a result of lower expected demand; the Class III and Class IV prices are forecast at \$14.25-\$15.05 and \$13.55-\$14.45 per cwt, respectively, while the all-milk price is forecast at \$15.80-\$16.60.

Pork/Hogs: Data reported in the December *Quarterly Hogs and Pigs* report indicates that the U.S. hog production sector continues to expand. Animal inventories, litter rates, and producer farrowing intentions were year-over-year higher. Pork production in 2018 is forecast at about 27 billion pounds, more than 5 percent above production last year. November pork exports were 5 percent higher than a year earlier, despite lower shipments to Mexico.

Poultry: Broiler production and weights were up again in November, as were exports, contributing to higher projected production and exports. Early January price data supported increased 2018 projections. Table egg production resumed expansion in November, and exports were robust as expected. Projected egg production was increased, and price surges in December contributed to higher 2018 projections. The turkey production forecast for 2017 was reduced by 10 million pounds to 5.987 billion pounds; the 2018 forecast was reduced 25 million pounds to 6.0 billion pounds.

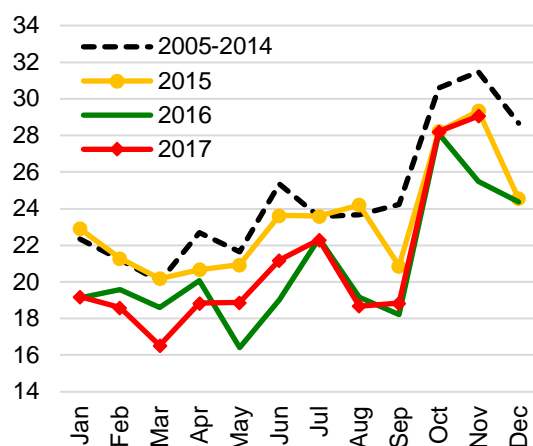
Cattle / Beef

A More Typical Pattern of Cattle Placements in Fourth Quarter

In October and November, dry conditions persisted in the Southern Plains, stressing pasture and forage supplies and likely directing calves that might have otherwise been placed on pasture into feedlots. The seasonality of cattle placed in feedlots is historically characterized by peak placements of the lightest weight cattle during the fall for longer-term feeding, as summer forage supplies tighten during the fall weaning period. According to the NASS *Cattle on Feed* report, net placements of cattle in feedlots¹ in November were 2.03 million head, which is 14.3 percent higher year over year. Based on that report, placements as a percent of cattle weighing under 600 pounds reached 29 percent (see chart below). Further, 140,000 more head (30 percent) of cattle in this category were placed than in November 2016 (see chart below). The *Cattle on Feed* report could suggest a shift in 2017 back to a more seasonal placement pattern of lightweight calves into feedlots in the fourth quarter.

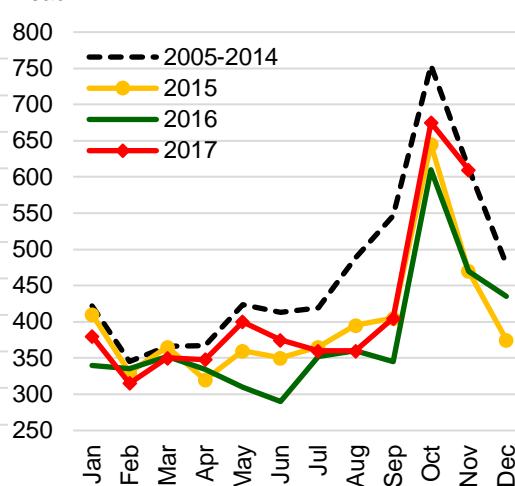
Percent of cattle placed under 600 pounds*

Percent



Cattle placed under 600 pounds*

Head



Source: USDA, National Agricultural Statistics Service; Compiled by ERS.

* = In feedlots with 1,000 head capacity or greater.

Larger Expected Marketings To Boost Beef Production in 2018

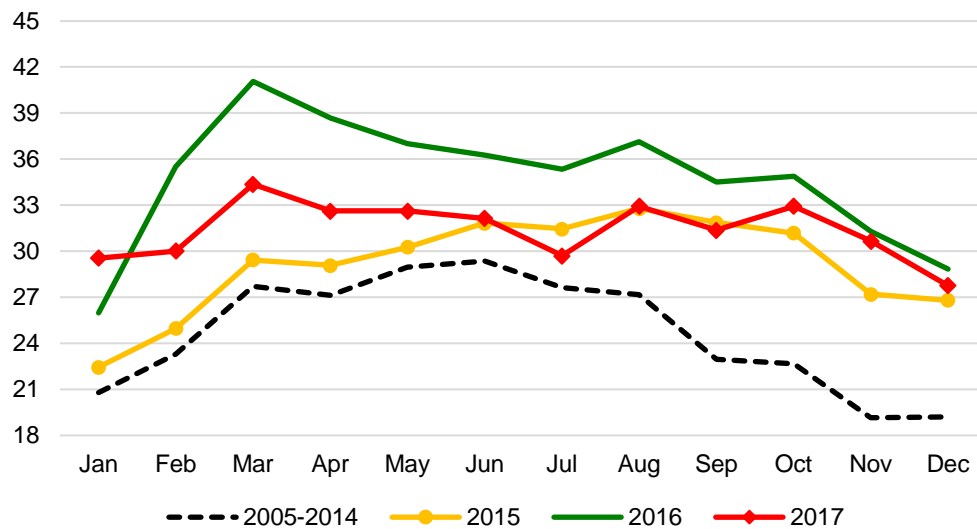
Greater year-over-year placements in October and November 2017 suggest that the number of cattle outside feedlots available for placement remains large. NASS will release the semannual *Cattle* report on January 31, which will provide estimates of heifers held for breeding and an insight into the number of cattle that might be available for placement during 2018. The 2018 beef production forecast was raised from last month by 170 million pounds to 27.8 billion pounds on greater expected marketings and slaughter. Although cattle prices have been stronger than previously expected given higher anticipated marketings, fed steer prices will likely remain below levels of the first half of 2017. The 5-Area fed steer price forecast for the first quarter of 2018 was adjusted higher to \$120.00-\$124.00/cwt, as well as for the second quarter, to \$115.00-\$123.00/cwt. The forecast for 2018 feeder steer prices was left unchanged from last month.

In the last quarter of 2017, although increasing relative to 2016, the percentage of cattle on feed over 120 days remained below the prior year. Given expected pressure on fed cattle prices from larger placements in second-half 2017, feedlot operators will likely have

¹ In feedlots with 1,000 head capacity or greater.

incentives to continue to aggressively market finished cattle in 2018. As feedlots are expected to maintain a rapid pace of marketings in the first half of 2018, the percent of cattle on feed beyond 120 days should stay relatively low.

Percent of cattle on feed over 120 days



Source: USDA, National Agricultural Statistics Service; Compiled by ERS.
 * = In feedlots with 1,000 head capacity or greater.

U.S. Beef Imports Revised Upward for 2017

The 2017 U.S. beef import estimate has been revised upward by 10 million pounds to 2.98 billion pounds from the previous month's forecast. This is largely due to continued strength in imports from Australia and Canada. Imports from Australia picked up in recent months, increasing by 46 percent, 67 percent, and 35 percent year-over-year, in September, October, and November 2017. Imports from Canada have also been stronger, increasing 23 percent year-over-year in November. AMS weekly reports, *Imported Meat Passed for Entry in the US by Country (LSWIMPE)*, also indicate stronger imports at the end of 2017. Forecasts for 2018 are unchanged from last month. November 2017 U.S. beef imports were fractionally lower than year-earlier levels, totaling 212 million pounds. Imports were higher from Australia (+13.2 million pounds) and Canada (+12.1 million pounds), but imports from other major sources such as Mexico (-10.9 million pounds), Brazil (-9.4 million pounds), Uruguay (-6.2 million pounds), and New Zealand (-1.6 million pounds) were lower. Year-to-date November imports were 2.78 billion pounds, about a 1-percent decline from the same period last year. The table below shows the year-to-date rankings of countries based on 2017 imports from major suppliers.

Rankings of major U.S. beef suppliers (year-to-date November 2017)

Rank	Suppliers	YTD-2016 imports	YTD-2017 imports	YOY change %	YOY change quantity	Share 2016	Share 2017
		Million Pounds			Million pounds		
1	Canada	667	687	2.9%	20	23.7%	24.7%
2	Australia	729	642	-11.9%	-87	25.9%	23.1%
3	Mexico	448	537	19.9%	89	15.9%	19.3%
4	New Zealand	586	522	-10.9%	-64	20.8%	18.7%
5	Brazil	134	126	-5.9%	-8	4.8%	4.5%
6	Nicaragua	104	125	20.7%	21	3.7%	4.5%
7	Uruguay	111	113	1.5%	2	3.9%	4.0%
	All other	35	33	-5.2%	-2	1.2%	1.2%
	Total	2814	2785	-1.0%	-29	100.0%	100.0%

YTD= Year to Date; YOY= Year Over Year.
Source: USDA, Economic Research Service.

Year-To-Date November U.S. Beef Exports Up

November 2017 U.S. beef exports increased 2.6 percent from 2016 to 261 million pounds. November was the lowest growth month thus far in 2017. After several months of strong growth, the pace of exports to Japan and Mexico slowed and exports declined to Canada, South Korea, Netherlands, Indonesia, and Taiwan. Through November 2017, exports were 13 percent higher (+320 million pounds). Most of the increased exports were to the higher income Asian countries, including Japan, South Korea, Hong Kong, and Taiwan. Increased supplies in the United States and higher export demand are likely drivers of the increase in exports during this period. The table below shows U.S. beef exports through November to major destinations.

Rankings of major U.S. beef export destinations (year-to-date November 2017)

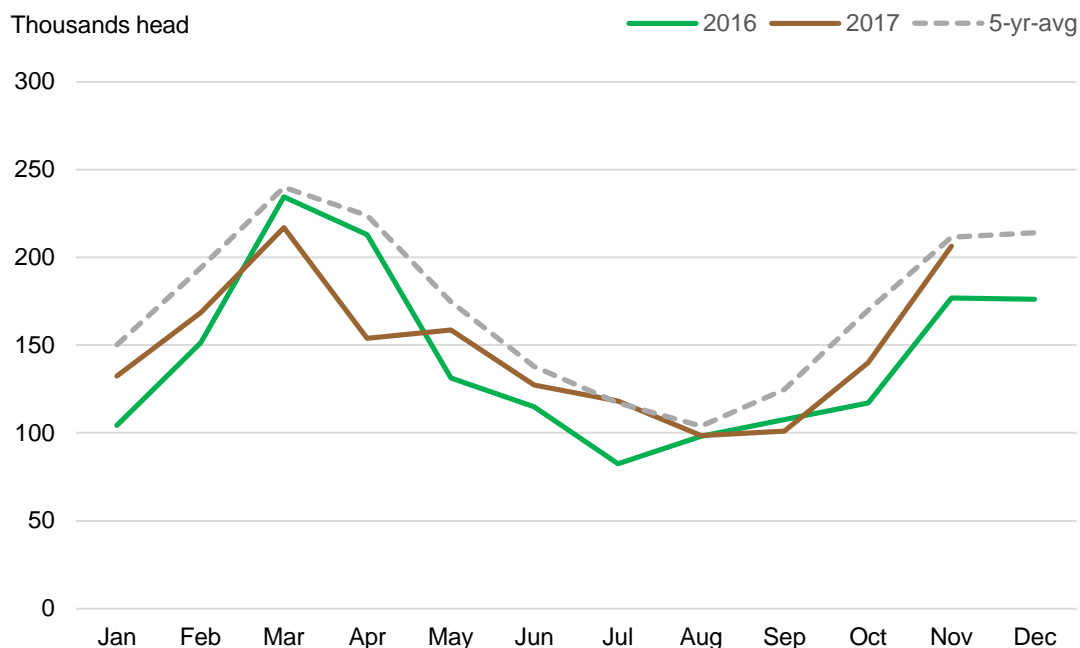
Rank	Destinations	YTD- 2016 exports	YTD- 2017 exports	YOY change %	YOY change quantity	Share 2016	Share 2017
		Million pounds			Million pounds		
1	Japan	601	767	27.6%	166	26.1%	29.5%
2	South Korea	406	431	6.1%	25	17.6%	16.6%
3	Mexico	356	383	7.5%	27	15.5%	14.7%
4	Hong Kong	261	290	11.1%	29	11.3%	11.1%
5	Canada	277	284	2.3%	6	12.0%	10.9%
6	China (Taiwan)	122	125	2.0%	2	5.3%	4.8%
7	Netherlands	33	34	4.9%	2	1.4%	1.3%
8	Chile	25	30	22.9%	6	1.1%	1.2%
9	Philippines	23	29	22.6%	5	1.0%	1.1%
10	Vietnam	16	27	71.5%	11	0.7%	1.1%
	All Others	181	202	11.5%	21	7.9%	7.8%
	Total	2301	2601	12.5%	300	100.0%	100.0%

YTD= Year to Date; YOY= Year Over Year.
Source: USDA, Economic Research Service.

Cattle Imports and Exports Revised Upward

Live cattle imports were strong in November 2017, recording 29,325 head above year-earlier levels, totaling 206,296 head. Increased imports from Mexico more than offset declines from Canada. Year-to-date through November, 1.62 million head of cattle were imported, 89,565 head above a year ago. The AMS weekly reports (ALLS625, WAL5637) also indicate stronger December imports. Based on stronger year-to-date growth, higher imports during the end of the year (see chart below), and AMS weekly report preliminary December data, 2017 cattle imports have been revised upward by 10,000 head to 1.82 million head.

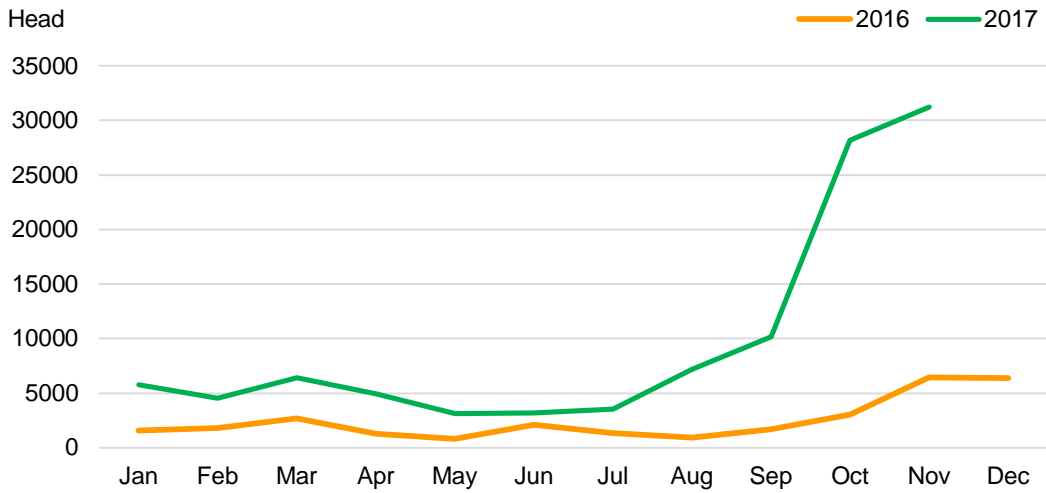
Higher U.S. Cattle Imports During the End of Year



Source: USDA, Economic Research Service.

In November, U.S. cattle exports topped 36,469 head, the highest monthly export volume to date for 2017, and 23,358 head (178.2 percent) above the previous year. Further, successively higher year-over-year monthly exports from January through November totaled 168,814 head, which is three times more cattle than was exported in 2016. Most of these cattle were shipped to Canada. A significant proportion of the increased exports fell into the “other than purebred breeding animals” category (see chart below), either for feeder or slaughter purposes. Higher feeder cattle prices in Canada compared to the U.S. during October and November 2017 partially supported this cattle movement. Recently, Canadian feeder cattle prices have softened while U.S. prices have strengthened, dampening potential movements. Historically, December cattle exports are roughly equal to shipments in November. As a result, 2017 U.S. cattle exports have been revised upward by 20,000 head to 185,000 head. The cattle export forecast for 2018 has also been revised upward by 15,000 head to 190,000 head.

Cattle Exports to Canada, Other Than Purebred Breeding



Source: U.S. Department of Commerce, Census Bureau, Foreign Agricultural Trade Statistics, compiled by ERS.

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Recent Developments in Dairy Markets

Wholesale prices reported in the USDA *National Dairy Products Sales Report* (NDPSR) declined for all major dairy products from the week ending December 2 to the week ending January 6. The largest price declines were for cheddar cheese; prices for both 40-pound blocks and 500-pound barrels fell by about 17 cents.

Dairy wholesale product prices (dollars per pound)

	For the week ending		Change
	Dec. 2	Jan. 6	
Butter	2.2442	2.2357	-0.0085
Cheddar cheese			
40-pound blocks	1.6847	1.5156	-0.1691
500-pound barrels ¹	1.7242	1.5536	-0.1706
Nonfat dry milk	0.7416	0.6971	-0.0445
Dry whey	0.3249	0.2773	-0.0476

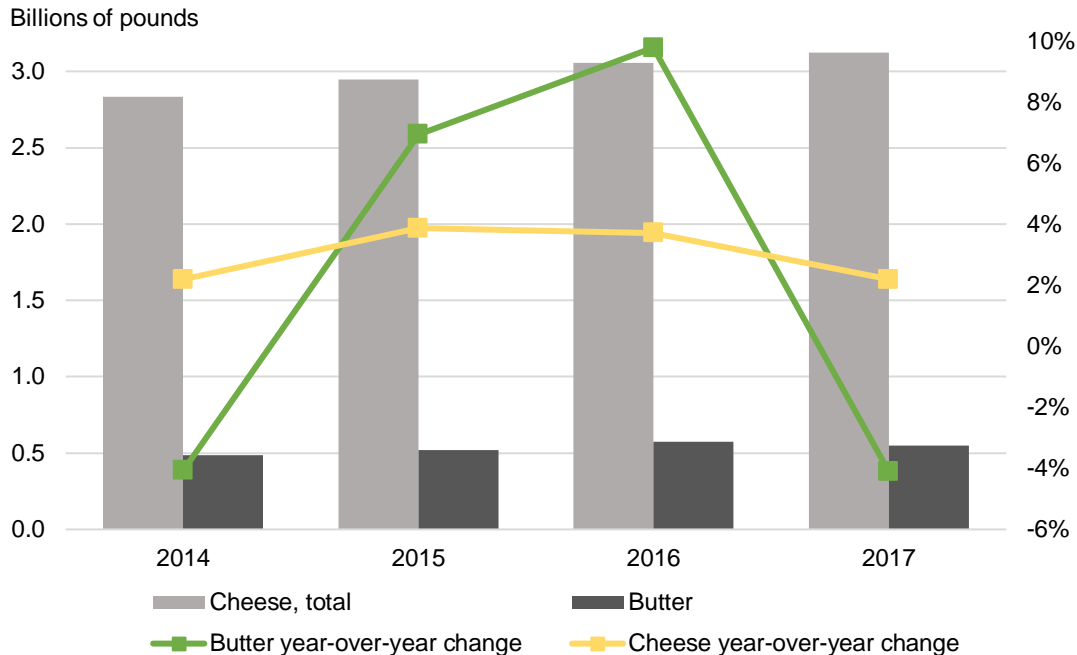
¹ Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*.

Stocks were still high in historical terms at the end of November. On a milk-fat milk-equivalent basis, November ending stocks were 13.2 billion pounds, a drop of 10.8 percent from October but 3.1 percent higher than November 2016. November ending stocks on a skim-solids milk-equivalent basis were 11.6 billion pounds, an increase of 0.5 percent from October and 23.8 percent higher than November 2016. The most recent USDA *Dairy Products* report, however, includes a downward revision of 28 million pounds in nonfat dry milk (NDM) stocks for October, and November NDM stock levels were below those of August and September.

Domestic demand has been somewhat weak throughout 2017. Domestic commercial disappearance in November was lower than November 2016 on both the milk-fat and skim-solids bases by 0.9 percent and 2.7 percent, respectively. January-through-November domestic commercial disappearance was 193.0 billion pounds (0.5 percent higher than last year) on a milk-fat basis and 163.1 billion pounds (0.3 percent below last year) on a skim-solids basis. Domestic use of butter and cheese has lagged expectations in recent months. Domestic use of butter for the 3 months from September to November 2017 was 4.1 percent below the same period in 2016, while domestic use of cheese had year-over-year growth for September-November 2017 of 2.2 percent, slower than 3.9 percent and 3.7 percent for September-November of 2015 and 2016, respectively.

Domestic use of butter and cheese, September-November
 (domestic use -- left axis, percent change year-over-year -- right axis)



Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service, Foreign Agricultural Service, and Economic Research Service calculations; and U.S. Dept. of Commerce, Bureau of the Census.

The size of the milking herd was 9.397 million head in November, unchanged from October and an increase of 0.6 percent from November 2016. The number of milk cows in the U.S. has fallen slightly since peaking at 9.404 million head in August 2017. Milk per cow was 1,839 pounds in November, 0.5 percent higher than November 2016. Milk production was 17.3 billion pounds during the month, a 1.0-percent increase from November 2016.

Dairy exports increased in November from the previous month and year-over-year. Exports on a milk-fat basis were 857 million pounds, an increase of 69 million pounds from October and 16 million pounds from November 2016. On a skim-solids basis, exports were 3.612 billion pounds, an increase of 108 million pounds from October and 142 million pounds from November 2016. Most major products had increases in exports from the previous year, with substantial gains for cheese and dry whey exports. Dairy imports fell from the previous month and from November 2016. Imports totaled 480 million pounds on a milk-fat basis (57 million lower than November 2016) and 490 million pounds on a skim-solids basis (97 million lower than November 2016).

Outlook for Dairy Feed Prices

The 2017/18 price forecast for corn is \$2.95-\$3.55 per pound, 5 cents higher than last month's forecast at the midpoint of the range. The soybean meal price forecast for 2017/18 is \$295-\$335 per short ton, unchanged from last month's forecast. The alfalfa hay price in November was \$148 per short ton, \$4 less than October but \$18 more than November 2016. For more information, see the USDA Economic Research Service publication *Feed Outlook*, at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1273>.

Dairy Estimates for 2017

Although 2017 is over, fourth-quarter and annual supply and use numbers in this report reflect interagency committee expectations because data for December are not yet available. Based on cow numbers in November, the estimate for the size of the milking herd has been reduced to 9.400 million head for the fourth quarter, 5 thousand less than last month's forecast. In addition, the milk per cow forecast has been lowered 20 pounds to 5,655 pounds for the fourth quarter, as slow year-over-year growth continued in November. With these changes, expected fourth-quarter 2017 milk production is 53.2 billion pounds, 0.2 billion pounds lower than the last month's forecast.

The estimate for imports on a milk-fat basis for the fourth quarter of 2017 has been lowered 0.1 billion pounds to 1.6 billion, with the reduction spread across several products. The estimate for fourth-quarter exports on a milk-fat basis has been raised 0.2 billion pounds to 2.5 billion pounds, based on strength in butter and cheese exports in November. The estimate for ending stocks is unchanged at 13.6 billion pounds. With slowing demand in November, the estimate for domestic use on a milk-fat basis is now 54.7 billion pounds for the fourth quarter, 0.5 billion pounds lower than last month's forecast.

Imports on a skim-solids basis are now estimated at 1.5 billion pounds for the fourth quarter, 0.1 billion pounds lower than the last forecast. The expectation for exports on a skim-solids basis has been raised 0.3 billion pounds to 10.7 billion for the quarter, as NDM and dry whey exports both increased in November and were likely competitive in December, given low domestic prices and a weaker dollar. Growth in stocks was slight in November; therefore, the ending stock estimate has been lowered 0.4 billion pounds to 12.2 billion. Domestic use on a skim-solids basis is now expected to be 43.6 billion pounds for the quarter, a reduction of 0.2 billion pounds, as domestic use remained below year-ago levels for many products in November.

While most dairy supply and use data are not yet available for December, complete 2017 price data are available with the exception of the all-milk price. While having mostly weakened during the fourth quarter, 2017 dairy product prices were higher across the board than 2016 prices. Average prices for cheddar cheese, dry whey, butter, and NDM in 2017 were \$1.634, \$0.444, \$2.330, and \$0.867 per pound, respectively. The 2017 Class III and Class IV prices were \$16.17 and \$15.16 per cwt, respectively. The 2017 all-milk price estimate is \$17.65 per cwt, an increase from \$16.30 per cwt in 2016.

Dairy Forecasts for 2018

The 2018 forecast for the number of milk cows in the United States has been reduced to 9.415 million head, 20 thousand less than last month's forecast, as lower prices are expected to lead to less expansion throughout the year and growth will occur from a lower base than expected last month. The USDA *Cattle* report will be released on January 31, and it will provide more information on dairy cow inventory and intentions for heifer retention in 2018. The milk yield forecast has also been reduced for the year, by 10 pounds to 23,240 pounds per head. The milk production forecast for 2018 is 0.5 billion pounds lower than the last forecast, at 218.8 billion pounds.

As demand has weakened and butter imports have followed a downward trend in the past couple of months, the import forecast for 2018 on a milk-fat basis has been lowered 0.1 billion pounds to 6.0 billion. However, exports are forecast 0.1 billion pounds higher for 2018, as domestic prices for butter remain competitive and stocks remain high. As domestic use is expected to be lower than previously forecast, the 2018 forecast has been lowered 0.8 billion pounds to 215.1 billion. The forecast for ending stocks on a milk-fat basis is unchanged at 12.8 billion pounds.

The forecast for imports on a skim-solids basis in 2018 has been reduced to 5.9 billion pounds, 0.2 billion less than last month, due to lower expected imports of milk protein

concentrate and casein products. Exports are now projected at 42.0 billion pounds for the year, an increase of 0.2 billion pounds from last month's figure, as lactose exports are now expected to increase and recent strength in NDM exports should continue. As lower ending stocks in 2017 should carry over throughout 2018, the ending stock forecast on a skim-solids basis has been lowered to 11.6 billion pounds for the year, 0.4 billion less than last month's forecast. Lower demand and lower production should result in less domestic use than previously expected; the domestic use forecast for 2018 has been cut 0.8 billion pounds to 182.4 billion.

Based on recent declines in product prices and expectations for lower demand, forecasts for prices of all major dairy products in 2018 have been lowered. Price forecasts for cheddar cheese, dry whey, butter, and NDM have been lowered to \$1.535-\$1.615, \$0.270-0.300, \$2.245-\$2.355, and \$0.715-\$0.775 per pound, respectively. The Class III price for 2018 is \$1.05 lower at the midpoint of the range than the last forecast, at \$14.25-\$15.05 per cwt; the Class IV price forecast has been lowered 35 cents at the midpoint to \$13.55-\$14.45. The all-milk price for 2018 is now forecast 85 cents lower at the midpoint of the range than last month's forecast, at \$15.80-\$16.60 per cwt.

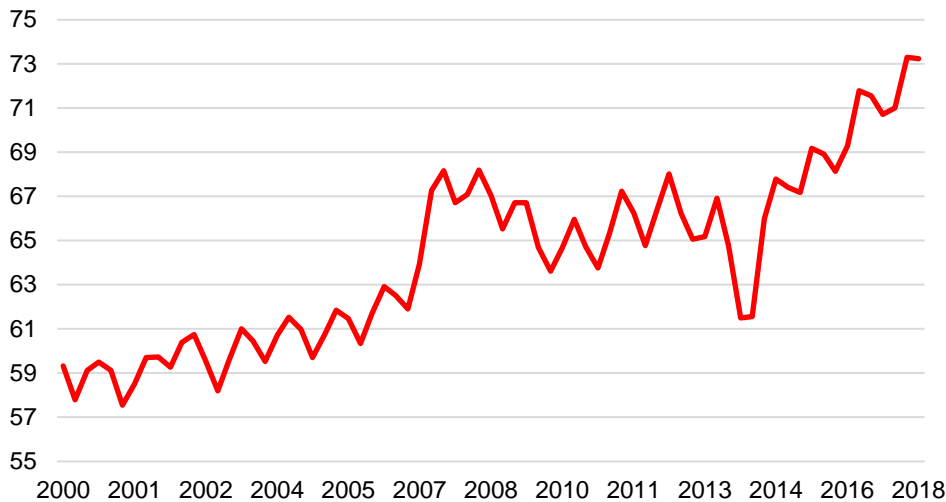
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U.S. Hog Production Sector Continues To Expand

The data reported in the December *Quarterly Hogs and Pigs* report show that the U.S. hog production sector continues to expand. Animal inventories show strong year-over-year increases, and reported producer farrowing intentions are solidly positive. Moreover, sector productivity indicators continue to register record highs. Current industry expansion is being driven by an expanding capital base, that is, a U.S. breeding animal inventory that is both larger in numbers and more productive per animal (i.e., higher litter rates). The U.S. hog production industry expansion is largely a response to increased processor demand for hogs. U.S. processors, in turn, are expanding in response to historically strong margins and perceived profit opportunities from domestic and foreign consumer demand for pork products.

The report indicated that the December 1 inventories of both all hogs and pigs, as well as breeding animals, increased year-over-year. The inventory of all hogs and pigs, while not a record high, remained above the 73 million head mark—73.230 million, 2 percent above a year earlier.

Quarterly inventory of all hogs and pigs, 2000-2018*

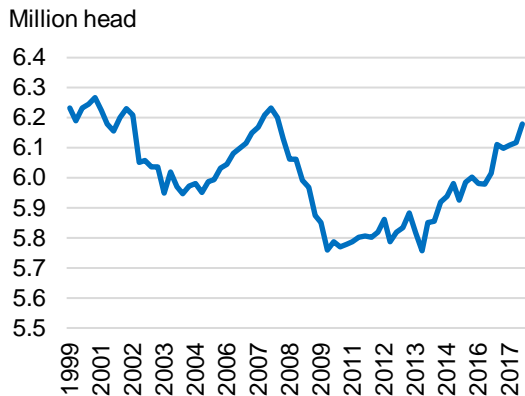


* December 1, 2017, marks the beginning of the 2018 production year.
Source: USDA, National Agricultural Statistics Service.

The inventory of breeding animals increased 1 percent over the year-earlier inventory. At 6.179 million head on December 1, 2017, the average annual breeding inventory has essentially been increasing since the significant animal reductions of 2008-2010. Between December 2010 and December 1, 2017, the U.S. hog production sector has added about 400 thousand breeding animals.

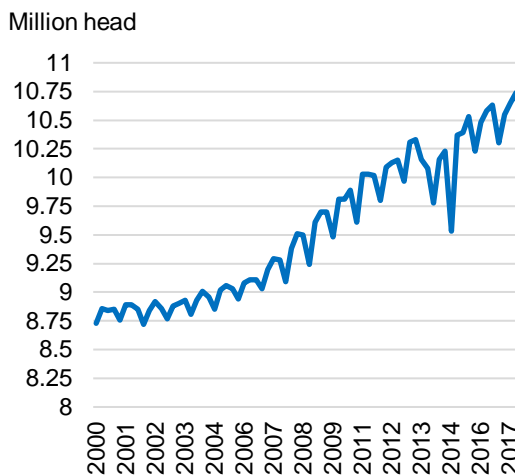
Productivity of the breeding inventory, as measured by pigs per litter, continued to increase in the fall quarter: The rate of 10.74 pigs per litter was the highest recorded since the series began in 1970.

Quarterly inventory of breeding animals, 2000-2017



Source: USDA, National Agricultural Statistics Service. December 1, 2017 marks the beginning of the 2018 production year.

Quarterly litter rates, 2000-2017



Source: USDA, National Agricultural Statistics Service.

The December report indicated that producers intend to increase farrowings in both the winter and spring quarters. The second set of producer intentions for December-February was 3 percent above a year earlier. The first set of producer farrowing intentions for the March-May quarter was 2 percent higher than the same period of 2017. If producers follow through on their stated intentions, with continued gains in pigs per litter, commercial pork production in the third calendar quarter of 2018 would be about 6.6 billion pounds, more than 5 percent above a year earlier. Producers' first set of March-May farrowing intentions implies commercial pork production of almost 7.3 billion pounds in the fourth calendar quarter of 2018. Average prices of live equivalent 51-52 percent hogs are expected to be \$47-\$51 per cwt in the third quarter of 2018 and \$40-\$44 per cwt in the fourth quarter of 2018.

First-quarter 2018 commercial pork production is expected to be almost 6.7 billion pounds, more than 4 percent above a year earlier. First-quarter 2018 prices of 51-52 percent live equivalent hogs are expected to be \$48-\$50 per cwt, almost 2 percent below a year earlier. In the second quarter of 2018, production of about 6.4 billion pounds, with hog prices averaging \$49-\$53 per cwt, is anticipated.

Pork Exports Motor Ahead in November

U.S. pork exports were 535 million pounds, a volume 5 percent above that of November 2016. November exports to the 10 largest foreign markets are listed below. November was notable to the extent that shipments to Mexico—the largest market for U.S. pork on a volume basis—were below a year ago. U.S. exports to Mexico in November were 161.9 million pounds, 4.2 percent below a year earlier. November exports were buoyed by uniformly strong shipments to important Asian countries: Japan (+3.6 percent), South Korea (+34.6 percent), and China\Hong Kong (+21.1 percent). Total fourth-quarter exports are expected to be 1.535 billion pounds, about 5 percent above a year earlier. Exports in 2018 are forecast at 5.9 billion pounds, almost 5 percent above shipments in 2017.

U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, November 2016, 2017

Country	Exports Nov. 2016 (mil. lbs)	Exports Nov. 2017 (mil. lbs)	Percent change (2017/2016)	Export share Nov. 2016 %	Export share Nov. 2017 %
World	510	535	5.0		
1 Mexico	168.9	161.9	-4.2	33.1	30.2
2 Japan	116.5	120.7	3.6	22.8	22.5
3 South Korea	39.7	53.4	34.6	7.8	10.0
4 China\Hong Kong	43.0	52.0	21.1	8.4	9.7
5 Canada	48.9	45.9	-6.2	9.6	8.6
6 Colombia	20.0	24.6	23.1	3.9	4.6
7 Australia	14.1	18.8	33.3	2.8	3.5
8 Honduras	9.4	8.7	-7.1	1.8	1.6
9 Chile	7.6	8.1	6.3	1.5	1.5
10 Dominican Republic	6.5	6.7	2.1	1.3	1.2

Source: USDA, Economic Research Service.

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Broiler Production Expectations Increased

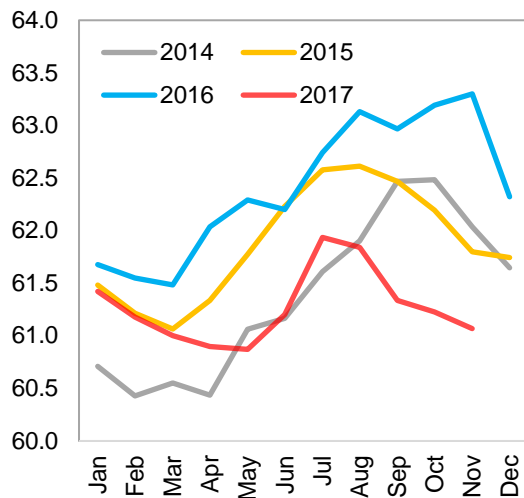
November broiler meat production was 3.4 billion pounds, about 3 percent higher than a year earlier, with bird weights up nearly a percent. With consistent weight growth since the summer, bird weight expectations have increased relative to much of the past year when weight growth was absent. Projected production for fourth-quarter 2017 was increased 50 million pounds. The 2018 forecast was raised 175 million pounds, resulting in annual growth just over 2 percent.

The inventory of broiler egg layers reached nearly 57 million on December 1, nearly 5 percent higher than a year earlier. More layers have been required to compensate for reduced layer productivity observed in declining rates of eggs per layer and chick placements per egg set for incubation (see figures immediately below). On a year-over-year basis, 2017 eggs per layer averaged 2 percent lower (through November), and the placement rate per egg set was down about 1 percent.

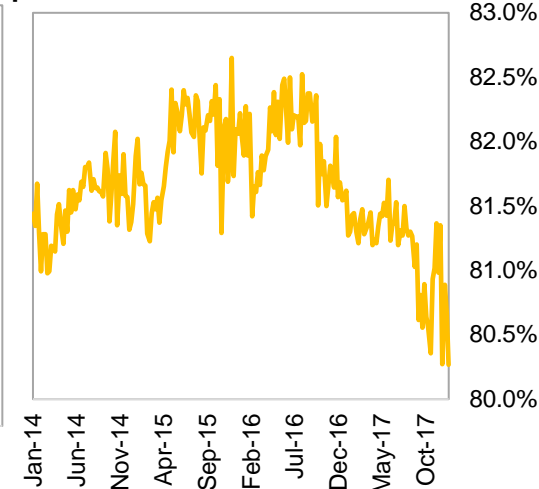
Broiler type layer productivity relatively weak in the recent period

Monthly lay rate and chick placements as a percent of eggs set in incubators, 2014-2017

Broiler hatching eggs/day/100 birds



Chick placements/Eggs set 3 weeks prior



Source: ERS calculations from U.S. Dept. of Agriculture, National Agricultural Statistics Service.

Broiler meat in cold storage facilities reached 866 million pounds at the end of November, the highest level since 2005. This information and the increase in projected production led to increases in the projected year-ending stocks to 885 million pounds for 2017 and to 830 million pounds for 2018.

Broiler exports in November were 575 million pounds, about 2 percent above last year. On a year-over-year basis, export volume growth was strongest to Cuba, Taiwan, South Africa, Ghana, Vietnam, and the Philippines. Expectations for exports for fourth-quarter 2017 were increased by 70 million pounds.

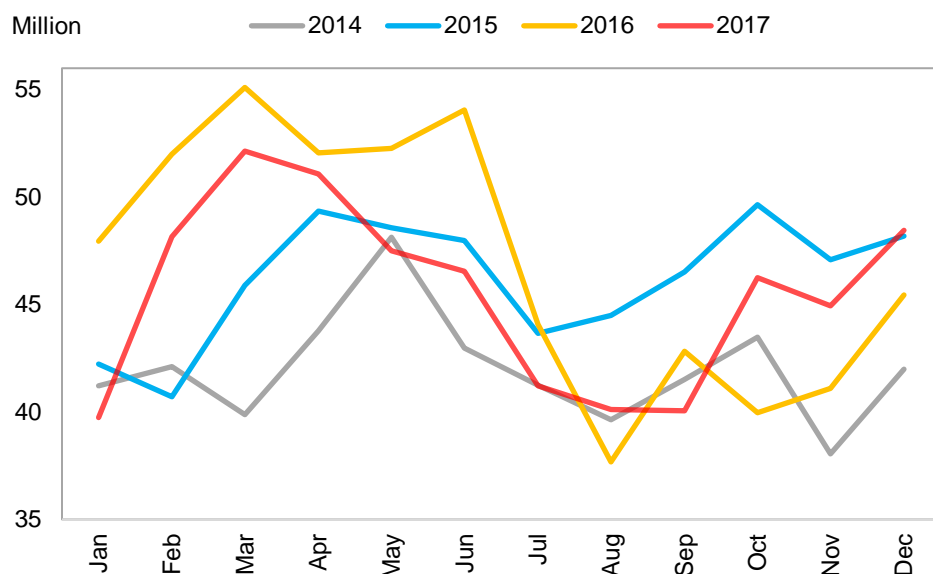
Weekly prices for whole broilers (national composite) trended up a bit in December and then jumped up 6 percent (from a week earlier) for the week ending January 5, more than expected. The first- and second-quarter forecasts were increased to 91-95 and 92-98 cents per pound, respectively.

Table Egg Production Resumed Expansion

Table egg production was 634 million dozen in November, just slightly higher than the year before, reversing 2 months of year-over-year declines. As of December 1, the inventory of table egg layers was 320 million, and expansion intentions were suggested by a high level of hatching eggs in incubators (see figure immediately below). Expected fourth-quarter egg production (2017) was increased 10 million dozen and 2018 projected production was increased 20 million dozen.

Hatchery data suggest producers expanding their laying flocks

Hatching eggs (table egg type) in incubators on the first of the month, 2014-2017



Source: U.S. Dept. of Agriculture, National Agricultural Statistics Service.

November exports of eggs and egg products were 30 million dozen (shell-egg equivalent), up 19 percent from last year. Shipments to Japan rose by about 4.7 million dozen, to Canada by 2.3 million dozen, and to South Korea by 1.1 million dozen. The 2017 and 2018 export projections were not changed.

November egg and egg product imports were down 9.3 million dozen from last year on a shell-egg equivalent basis. The decline was driven by fewer egg products from the Netherlands. Expected imports for the fourth-quarter 2017 were lowered to 4 million dozen.

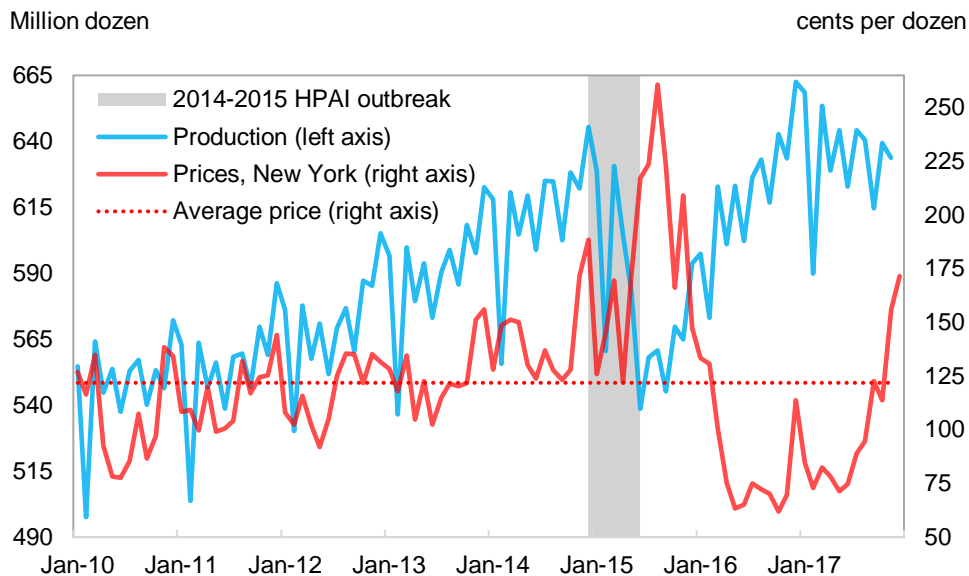
Solid exports and a lack of imported egg products contributed to a substantial reduction in the stocks of frozen egg products. November month-ending stocks fell nearly 4 million dozen from the prior month on a shell-egg equivalent basis. The year-ending stock projection was lowered to 20 million dozen.

Egg Prices Declined After Surging in December

Wholesale egg prices (large grade A eggs, New York) in December were the highest since 2015 when avian influenza eliminated over 10 percent of the layer flock (see figure immediately below). As of the week ending January 12, prices had stabilized at about \$1.06 per dozen, down significantly from early December in the normal direction for the post-holiday period. Prices should trend upward as Easter approaches. The first and second quarter forecasts for 2018 were increased to 110-114 and 94-100 cents per dozen, respectively.

Egg market volatile since highly pathogenic avian influenza (HPAI) impacts of 2015

Monthly table egg production and wholesale prices in New York, 2010-2017



Source: U.S. Dept. of Agriculture, National Agricultural Statistics Service and ERS calculations from the Agricultural Marketing Service.

Strong egg prices in the second half of 2017 may have reflected robust domestic demand since egg supplies have been relatively abundant; expected egg disappearance in 2017 is 274.2 eggs per person, 7 percent above the 2010-2014 average. Factors underlying strong demand may include normally higher consumption over the holidays, evolving consumer attitudes towards eggs, and improving export markets.

Additionally, retail egg prices (grade A, large) in 2017 averaged \$1.47 per dozen, a 10-year low, supporting a high level of egg consumption. Retail egg prices are typically less volatile than wholesale prices, and their low level in 2017 reflected very low wholesale prices from mid-2016 into mid-2017. While retailers reduced consumer prices, producers experienced very weak production incentives, contributing to a slight year-over-year decline in 2017 egg supplies (disappearance per capita). Much of this decline occurred in the fourth quarter when net exports were also very strong. In 2018, expanding egg production is expected to supply domestic consumers with more eggs than in any other recent year.

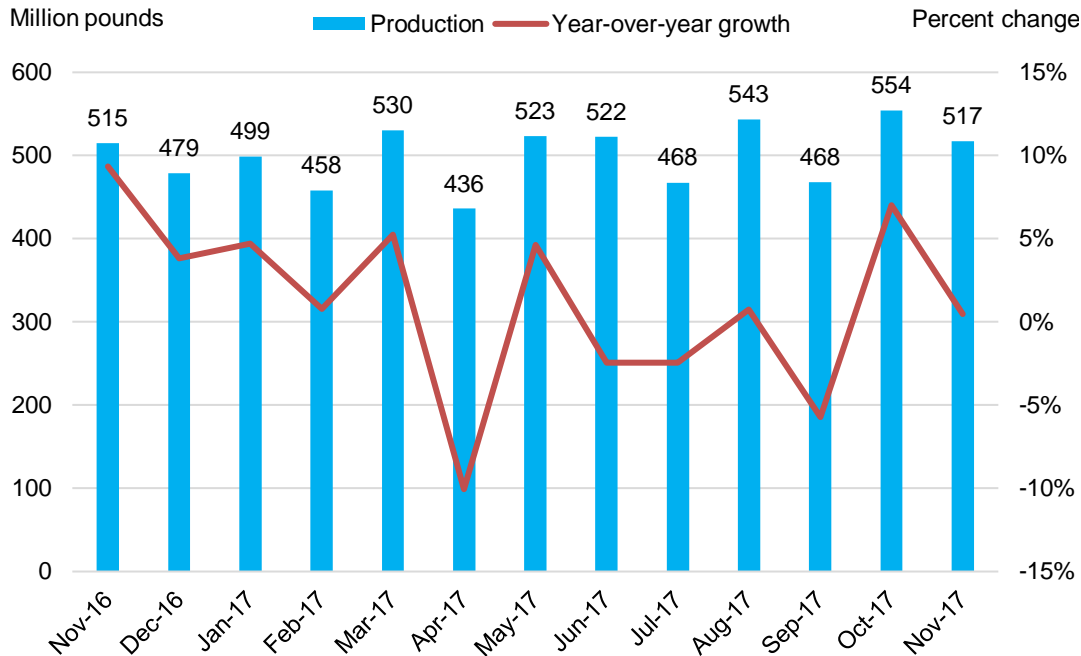
- Sean Ramos, sean.ramos@ers.usda.gov

Turkey Production Flat in November

Turkey production in November totaled 517 million pounds, less than half of 1 percent above the same month in 2016. The limited growth in November is somewhat of a return to the trend of recent months after a stronger-than-expected production total in October. On a per day slaughter basis, average production had been down by 1 percent since April compared with the same period in 2016. With wholesale prices continuing to run below historical averages, the modest growth in October and November may simply reflect fresh market demand for the Thanksgiving holiday. Hatchery report data for November displayed mixed results, with slight growth in placements (+1 percent) and eggs hatched (+2 percent) in November but a 4-percent decline in eggs in incubators to start December. The turkey production forecast for 2017 is reduced by 10 million pounds to 5.987 billion

pounds. The 2018 forecast is 6.0 billion pounds, down 25 million pounds from last month and 0.2 percent above 2017.

Turkey production and year-over-year growth, November 2016 - November 2017

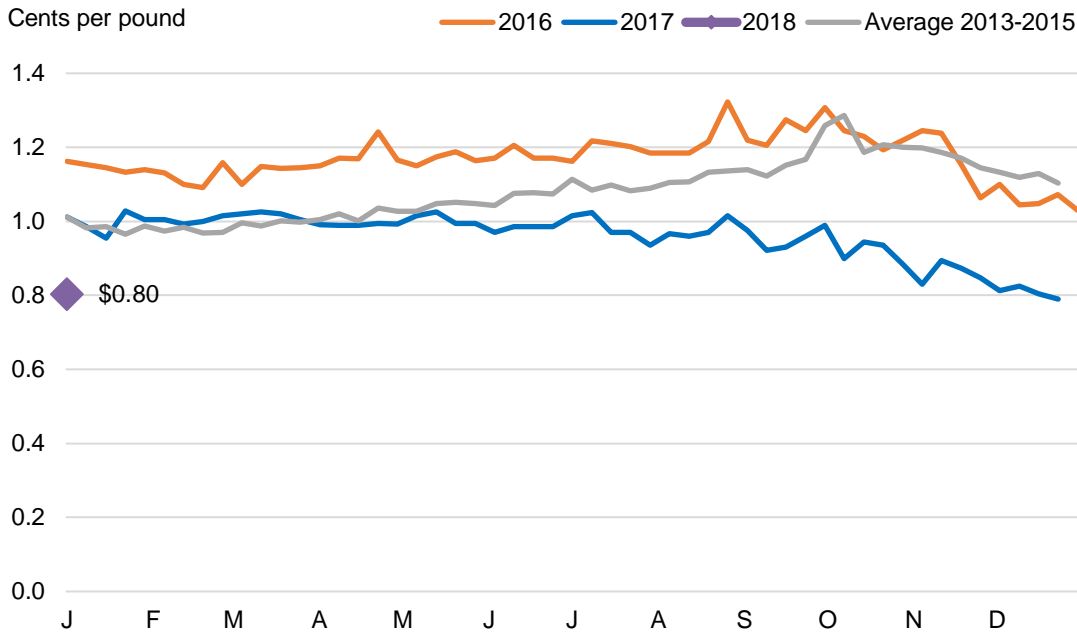


Note: Year-over-year growth displays percentage gain or loss relative to the same month one year earlier.
 Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Whole Turkey Prices Remain Below Historical Averages Heading Into 2018

Wholesale whole-hen frozen turkey prices continue to fall below historical averages and remained low to end the year. The latest price data covering the second week of January 2018 shows whole hen turkey prices at 76 cents per pound, down from 79 cents in the last week of December, which was the lowest since May 2010. The fourth quarter of 2017 ended with an average price of 88 cents, and the full-year average was 96 cents. The low wholesale prices have served as an indication that turkey meat demand has not kept pace with recent production. The price forecasts are lowered for 2018 and are expected to average \$0.88 to \$0.94 per pound for the year, about 5 percent below prices in 2017.

Wholesale whole hen turkey prices



Note: January 2018 price reflects the first week of January only.
 Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Turkey Exports Increased Again in November

November turkey exports were 12 percent higher than a year earlier, totaling 56 million pounds. Following 2 record months, this was the third highest number since December 2014, when HPAI-related trade restrictions impacted the market. Mexico remains the largest destination for U.S. turkey shipments, with 35 million pounds shipped in September, or 61 percent of all U.S. shipments. Total exports for 2017 are expected to reach 623 million pounds, 9 percent more than in 2016. Exports are expected to grow further in 2018 to 655 million pounds, a 5-percent increase over 2017.

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Dairy Forecasts

	2016	2017					2018				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thousands)	9,328	9,370	9,398	9,403	9,400	9,395	9,410	9,415	9,420	9,420	9,415
Milk per cow (pounds)	22,775	5,717	5,886	5,688	5,655	22,945	5,770	5,965	5,755	5,750	23,240
Milk production (billion pounds)	212.4	53.6	55.3	53.5	53.2	215.5	54.3	56.2	54.2	54.2	218.8
Farm use	1.0	0.2	0.2	0.3	0.3	1.0	0.2	0.2	0.3	0.3	1.0
Milk marketings	211.4	53.3	55.1	53.2	52.9	214.5	54.0	55.9	54.0	53.9	217.8
Milk-fat (billion pounds milk equiv.)											
Milk marketings	211.4	53.3	55.1	53.2	52.9	214.5	54.0	55.9	54.0	53.9	217.8
Beginning commercial stocks	12.3	12.7	16.2	17.9	16.3	12.7	13.6	17.0	18.5	16.0	13.6
Imports	7.0	1.5	1.4	1.5	1.6	6.0	1.5	1.4	1.5	1.6	6.0
Total supply	230.8	67.6	72.7	72.6	70.8	233.3	69.1	74.3	73.9	71.5	237.4
Commercial exports	8.4	2.1	2.5	2.3	2.5	9.3	2.2	2.5	2.5	2.3	9.5
Ending commercial stocks	12.7	16.2	17.9	16.3	13.6	13.6	17.0	18.5	16.0	12.8	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
Domestic commercial use	209.7	49.3	52.4	54.0	54.7	210.4	49.9	53.3	55.5	56.4	215.1
Skim solids (billion pounds milk equiv.)											
Milk marketings	211.4	53.3	55.1	53.2	52.9	214.5	54.0	55.9	54.0	53.9	217.8
Beginning commercial stocks	9.2	9.5	10.6	11.6	12.1	9.5	12.2	12.1	12.5	11.7	12.2
Imports	6.5	1.7	1.5	1.4	1.5	6.0	1.5	1.5	1.5	1.5	5.9
Total supply	227.1	64.5	67.1	66.2	66.5	230.1	67.7	69.5	67.9	67.2	236.0
Commercial exports	39.0	9.8	10.3	9.7	10.7	40.4	10.1	10.7	10.6	10.6	42.0
Ending commercial stocks	9.5	10.6	11.6	12.1	12.2	12.2	12.1	12.5	11.7	11.6	11.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	178.5	44.2	45.2	44.4	43.6	177.4	45.5	46.3	45.7	44.9	182.4
Milk prices (dollars/cwt) ¹											
All milk	16.30	18.23	16.83	17.70	17.75	17.65	15.70	15.35	15.45	16.80	15.80
					-17.85		-16.10	-16.05	-16.45	-17.80	-16.60
Class III	14.87	16.49	15.74	16.13	16.34	16.17	13.75	14.05	14.25	15.00	14.25
							-14.15	-14.75	-15.25	-16.00	-15.05
Class IV	13.77	15.37	14.80	16.36	14.12	15.16	13.05	13.40	13.60	14.10	13.55
							-13.55	-14.20	-14.70	-15.20	-14.45
Product prices (dollars/pound) ²											
Cheddar cheese	1.605	1.648	1.555	1.623	1.712	1.634	1.495	1.515	1.530	1.600	1.535
							-1.535	-1.585	-1.630	-1.700	-1.615
Dry whey	0.288	0.485	0.508	0.434	0.347	0.444	0.260	0.265	0.275	0.285	0.270
							-0.280	-0.295	-0.305	-0.315	-0.300
Butter	2.078	2.200	2.229	2.597	2.295	2.330	2.200	2.240	2.265	2.285	2.245
							-2.270	-2.340	-2.395	-2.415	-2.355
Nonfat dry milk	0.829	0.955	0.874	0.874	0.763	0.867	0.675	0.700	0.715	0.765	0.715
							-0.715	-0.760	-0.785	-0.835	-0.775

Totals may not add due to rounding.

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 U.S. Dept. of Agriculture, *National Dairy Products Sales Report*.

Sources: USDA, National Agricultural Statistics Service; USDA, Agricultural Marketing Service; USDA, Foreign Agricultural Service; and USDA, World Agricultural Outlook Board. For further information, contact Jerry Cessna, 202-694-5171, jgcessna@ers.usda.gov, or contact Jonathan Law, 202-694-5544, jonathan.law@ers.usda.gov. Published in *Livestock, Dairy, and Poultry Outlook*, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1350>.