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# Livestock, Dairy, and Poultry Outlook

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## USDA Supply and Usage Forecasts Imply Increased Per Capita Disappearance of Red Meat, Poultry, and Eggs in 2016

### Contents

- [Beef/Cattle](#)
- [Beef/Cattle Trade](#)
- [Pork/Hogs](#)
- [Poultry](#)
- [Poultry Trade](#)
- [Sheep/Lamb](#)
- [Dairy](#)
- [Contacts and Link](#)

### Tables

- [Red Meat and Poultry](#)
- [Dairy Forecast](#)

### Web Sites

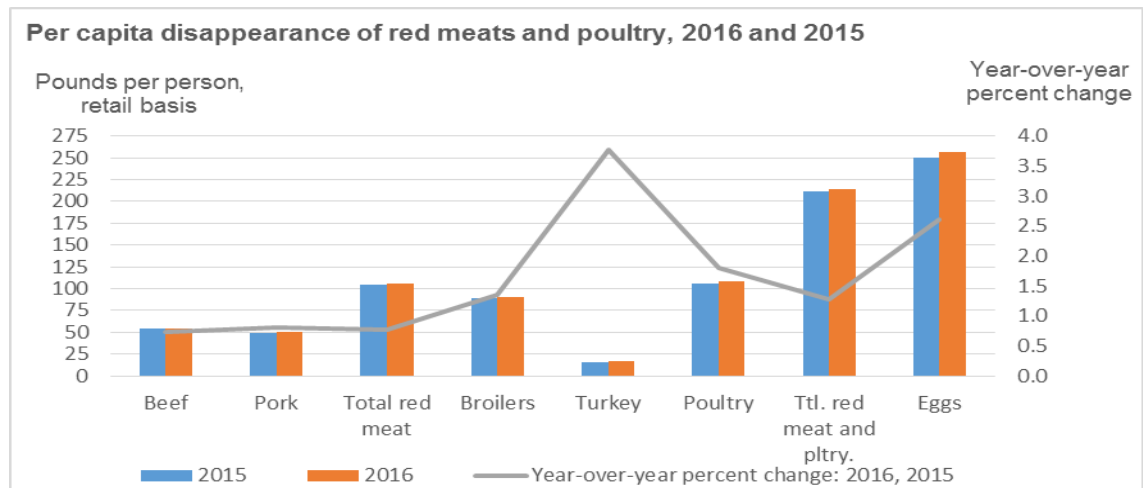
- [Animal Production and Marketing Issues](#)
- [Cattle](#)
- [Dairy](#)
- [Hogs](#)
- [Poultry and Eggs](#)
- [WASDE](#)

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Tables will be released on Jan. 26, 2016

The next newsletter release is Feb. 16, 2016

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Approved by the World Agricultural Outlook Board.

USDA's supply and usage estimates for red meats, poultry, and eggs imply increases in quantities available for domestic disappearance in 2016, compared with last year. Disappearance is what remains after exports and ending stocks are subtracted from the sum of production, beginning stocks, and imports. Dividing this amount by the US population yields per capita disappearance. The forecast for increased per capita disappearance in 2016 derives largely from increased production forecasts. The increase in broiler disappearance however, reflects a slower pace of export recovery. Turkey and egg disappearance, in particular, is expected to recover from disease problems in 2015. In the aggregate, 2016 total red meat disappearance is expected to increase almost 1 percent, from 104.9 pounds per person, to 105.7 pounds. Total red meat and poultry disappearance is expected to increase more than 1 percent, to 213.6 pounds per person in 2016, compared with 210.9 pounds last year. U.S. per capita disappearance of red meat and poultry first exceeded 200 pounds in 1988.



Source: USDA/ERS: <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx>.

**Beef/Cattle:** December ushered in frigid temperatures. Snow and flooding in the Southern Plains resulted in cattle deaths and limited transportation of live cattle to feedlots and packers, creating a short-term supply crunch despite light production schedules over the holidays, which supported rapidly rising wholesale prices. The recent precipitation aided wheat pasture conditions and helped replenish stock pond levels.

**Beef/Cattle Trade:** U.S. cattle imports were down 27 percent in November due to dramatic declines in beef shipments from Australia and New Zealand. Despite lower fourth-quarter beef shipments, U.S. beef imports for 2015 are forecast 14 percent higher at 3.372 billion pounds.

**Pork/Hogs:** Animal numbers reported in the December Quarterly Hogs and Pigs report imply a 2-percent increase in 2016 pork production. Live hog prices are expected to average \$46-\$49 this year. A small increase in U.S. live swine imports is expected as a consequence of the repeal of U.S. country of origin labeling laws.

**Poultry:** USDA has lowered its fourth-quarter production forecast of ready-to-cook (RTC) broiler meat to 9.98 billion pounds due to lower expected slaughter for December. Price forecasts for whole birds are increased for all quarters in 2016. The production forecast for 2016 is raised on stronger chick placement data. Turkey meat production in November totaled 471 million pounds, down 2 percent from a year earlier. Wholesale frozen whole hen prices averaged \$1.30 per pound in fourth-quarter 2015, up 14 percent from the previous year. Table egg production totaled 548 million dozen in November, down 11 percent from a year earlier. Wholesale prices for Grade A large eggs in the New York market averaged \$1.74 per dozen in fourth-quarter 2015, up 7 percent from the previous year.

**Poultry Trade:** Broiler, turkey, and egg shipments in November 2015 remained down from a year ago. Broiler shipments totaled 494 million pounds, a decrease of 14 percent from a year earlier. November turkey shipments decreased 41 percent from a year ago, totaling 43 million pounds, while egg and egg product exports totaled 19 million dozen shell-egg equivalent, a 47-percent decrease from the previous November.

**Sheep/Lamb:** Fourth-quarter 2015 commercial production of lamb and mutton is forecast at 36 million pounds, down nearly 5 percent from the same period in 2014.

**Dairy:** With lower expectations for exports, the all-milk price forecast for 2016 has been lowered to \$15.35-\$16.15, a reduction from the \$15.95-\$16.75 per cwt forecast last month. The milk production forecast for 2016 has been lowered by 0.6 billion pounds. Commercial export forecasts for 2016 have been lowered by 0.4 billion pounds on a milk-fat milk-equivalent basis and 1.0 billion pounds on a skim-solids milk-equivalent basis.

## Challenging Weather Conditions

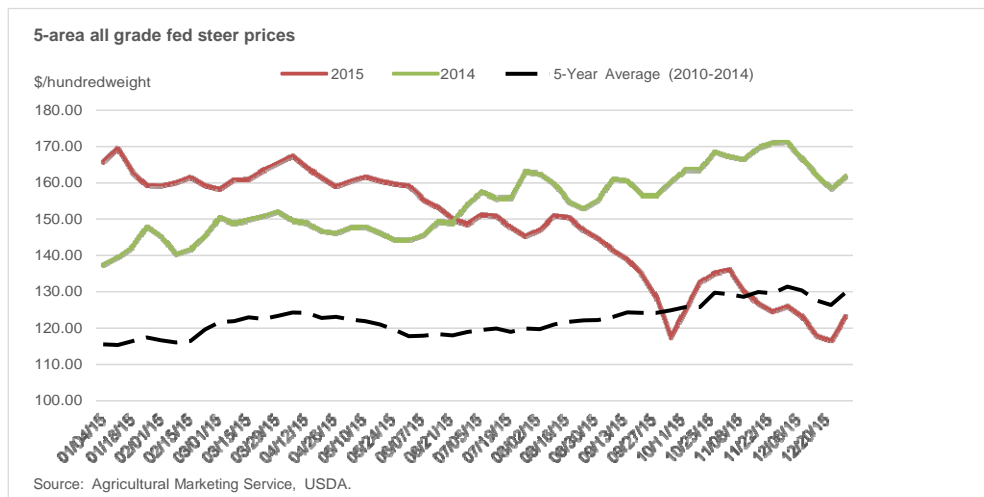
Snow, floods, and other major weather events in December 2015 and early January 2016 have impacted much of the Southern Plains. The recent precipitation aided wheat pasture conditions and pond levels. However, weather events like Winter Storm Goliath left many producers concerned about overstressed cattle and death loss.

The Climate Prediction Center’s January-March 2016 official forecast reports above average precipitation levels and below average temperatures in much of the Southern Plains and Southeast (National Oceanic and Atmospheric Administration, [http://www.cpc.ncep.noaa.gov/products/predictions/long\\_range/seasonal.php?lead=1](http://www.cpc.ncep.noaa.gov/products/predictions/long_range/seasonal.php?lead=1)). With the combination of cooler, wetter weather and shorter grazing days, producers expect to see a seasonal drop in rates of gain in the winter months. Given the challenging weather in the Southern Plains, windchills and precipitation stressed cattle, with snow burying pasture forages in some cases.

## Fed and Feeder Cattle Prices

Lower prices for competing proteins and larger beef supplies in the domestic market, among many other factors, exerted downward pressure on early December prices. Five-area, all-grade fed steer prices for fourth quarter bottomed at \$116.64/hundredweight (cwt) for the week ending December 20, 2015. For the week-ending January 10, 2016, 5-area all-grade fed steers were \$132.26/cwt, roughly \$37 lower than year-earlier fed steer prices. Despite the rally, the first-quarter 2016, 5-area direct total all-grade steer price is forecast to be \$128-134/cwt, down over \$30 compared with first-quarter 2015.

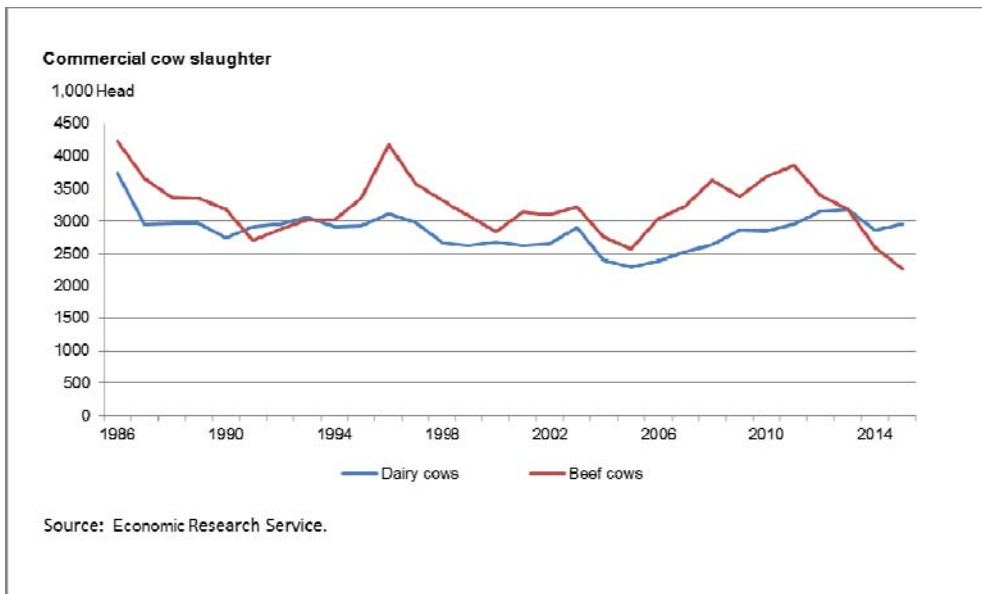
Feeder cattle prices also declined into early December, but not to the same degree. The Oklahoma National Stockyards were closed the last 2 weeks in December, but on January 4, 2016, medium number 1 feeder steers weighing 750-800 pounds ranged between \$166-\$169/cwt, down around \$50/cwt from this time last year ([http://www.ams.usda.gov/mnreports/ko\\_ls750.txt](http://www.ams.usda.gov/mnreports/ko_ls750.txt)).



## Commercial Cow Slaughter Lowest in 10 Years

Estimated total annual commercial cow slaughter for 2015 is expected to be the lowest since 2005—the last attempt at cow herd expansion—and about 13 percent below the average for the last 29 years, largely due to the impact that beef cow slaughter has had on total cow slaughter in 2015. Estimated annual commercial dairy cow slaughter for 2015 is shaping up to be about 5 percent above the average of the last 29 years. At the same time, estimated annual commercial beef cow slaughter—29 percent below the average for the same period—would be a record low. Beef cow slaughter is expected to have accounted for about 43 percent of annual commercial cow slaughter for 2015.

Beef cow slaughter has accounted for less than 50 percent of total annual commercial cow slaughter in only 2 years—2014 and 2015—since the early 1990s. Such a low level of beef cow slaughter could indicate potentially significant herd rebuilding. In general, while these relative proportions could also be indicative of significant dairy cow slaughter, in 2015, they indicate both. While dairy cow slaughter was year-over-year higher in both 2012 and 2013, the beef cow share of total slaughter was still 52 and 50 percent in those years.



Since NASS began publishing July 1 inventory data in 1973, the January 1 cow inventory has exceeded the previous July 1 inventory twice (January 1, 1974 and January 1, 1980) and has been equal once (January 1, 2015). The July 1, 2015, cow inventory was 39 million head, equal to the January 1, 2015, inventory. By historical standards, the July 1 number could imply a year-over-year lower total cow inventory on January 1, 2016. On the other hand, a January 1, 2016, inventory higher than the July 1, 2015, inventory would imply a significantly positive rate of cow herd expansion, which, if accompanied by a relatively large inventory of heifers expected to calve in 2016, could lead to downward pressure on cattle and beef prices for 2016 and beyond. The January 1 Cattle report to be released by National Agricultural Statistics Service (NASS) on January 29 will provide estimates for total cow inventory and the number of heifers expected to calve in 2016.

## ***Early Winter Weather Impacted Beef Supplies***

Along with frigid late-December temperatures, snow and flooding in Texas and the Southern Plains limited transportation of live cattle to feedlots and packers, creating a short-term supply crunch during 2 weeks of light production schedules due to holidays. This supported rapidly rising wholesale prices the last week in December and early January. According to USDA's most recent boxed beef report (for the week ending January 8th), the choice cutout was reported at \$226.24/cwt, up \$19.08/cwt from the previous week but approximately \$27/cwt lower than last year. However, if beef demand does not begin to show signs of improvement in the first quarter of 2016, it is expected that the recent run-up in wholesale prices will lose momentum.

According to USDA's most recent data, average cattle carcass weights are 839 pounds, quite heavy compared to the previous year (+11 pounds), but weights have declined approximately 16 pounds since peaking at 855 pounds in mid-October. It is expected that fourth-quarter 2015 cattle carcass weights will be lighter than initially expected due to the abrupt decline in weight gain in December, but annual average 2015 carcass weights are forecast several pounds heavier than in 2014. However, cattle carcass weights in the weeks ahead could reflect the impact of the recent winter storm on cattle performance.

## Beef/Cattle Trade

### *Beef Exports Expected To Improve in 2016, Beef Imports Set To Decline*

Total beef export volumes in November were reported at approximately 202 million pounds, an increase from October and slightly below November 2014 levels. Major export destinations for the month of November were Japan, Mexico, Canada, South Korea, and Hong Kong. Combined, these top five destinations accounted for approximately 82 percent of total beef shipped abroad in November. It is probable that the overall decline in domestic wholesale beef prices during the last quarter of 2015 spurred some renewed export growth in November and December, but total annual beef exports for 2015 are expected to have reached 2.26 billion pounds, down approximately 310 million pounds when compared to 2014. The outlook for beef exports in 2016 is expected to improve as a result of lower domestic prices and an increase in beef supplies that can be shipped abroad. However, there remain several wildcard factors that could limit export growth. The U.S. dollar is expected to remain strong at least through the first half of the year, which could partially offset any growth in export demand due to lower beef prices. Global economic uncertainty could also stifle export growth, especially to Asian countries. The 2016 beef export forecast was raised by 50 million pounds from December to 2.48 billion pounds, up approximately 9 percent year over year.

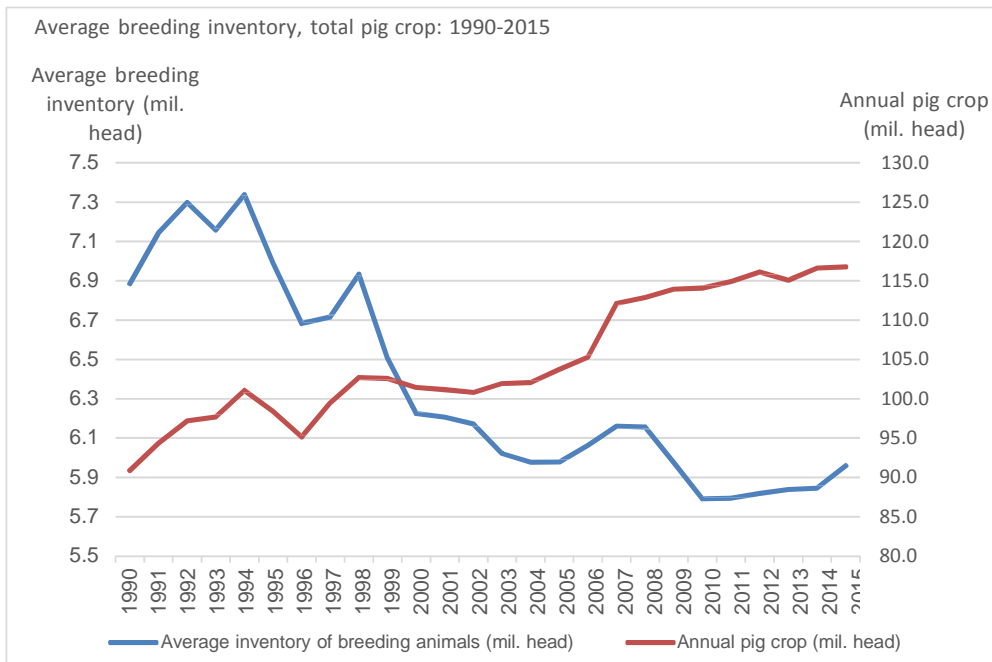
U.S. beef imports declined 27 percent in November (from the previous year) as imports of processing beef from Australia and New Zealand fell dramatically. It is expected that Oceanian importers began to slow their rate of beef exports to the U.S. during the fourth quarter of the year to avoid surpassing their tariff-rate quota limits. Australian and New Zealand beef imports declined 43 and 31 percent year over year in November, with expectations of further declines in December. For November, beef imports from Canada were reported lower year over year, while increases in beef from Mexico, Brazil, and Uruguay were higher but overshadowed by the steep decline from the larger import suppliers. Overall, U.S. beef imports in 2015 are estimated about 14 percent higher at 3.372 billion pounds, but imports are expected to decline in 2016. Beef production in the United States is expected to increase next year due to larger cattle supplies and heavy cattle weights and diminishing demand for imported beef, most noticeably processing beef from Australia and New Zealand. In addition, favorable weather conditions in Australia support plans for herd expansion, while Australian slaughter data continues to show declines in weekly cattle turnoff rates, supporting the notion that Australian beef exports to the U.S. will be constrained in 2016. For the above reasons, 2016 beef imports were reduced by approximately 100 million pounds to 2.845 billion pounds, down 16 percent year over year.

## Pork/Hogs

### *December Hogs and Pigs Report Shows Continued Expansion of Breeding Animal Inventory and Strong Litter Rate Increase*

The December 1 swine inventories published by USDA on December 23, 2015, in the Quarterly Hogs and Pigs showed the same increases in each animal category: All hogs and pigs (+1 percent), breeding herd (+1 percent) and market hogs (+1 percent). The breeding herd, at 6.002 million head, was the largest since December 2008. Based on average breeding herd, an industry expansion began during 2011. Comparing the December 1, 2015, breeding inventory with the breeding inventory on December 1, 2010, the number of animals kept for breeding has increased by almost 225,000 head.

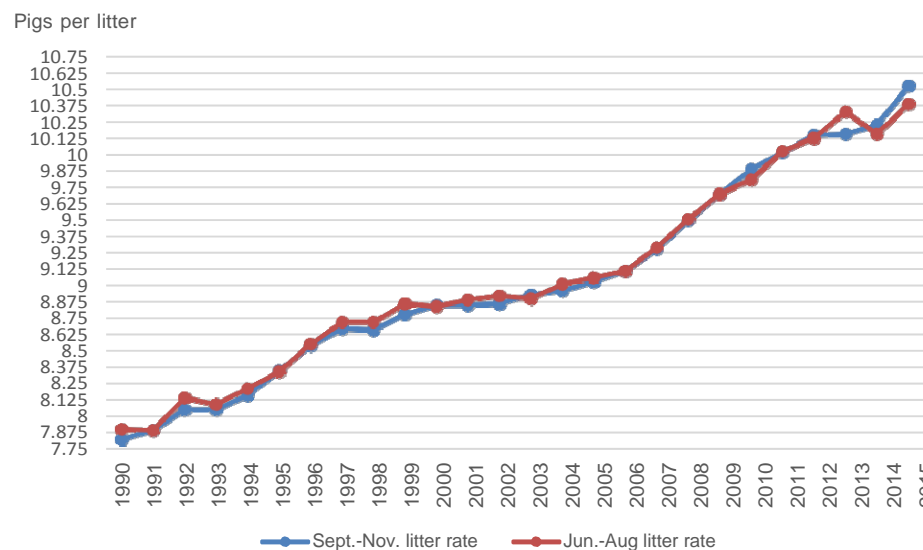
The larger breeding inventory on December 1, 2015, is not likely to buck the strong downward secular trend in breeding animal numbers established in the mid-1990s. The figure below shows how breeding animal inventories have declined at the same time that pig crops have increased. This is due primarily to significant increases in breeding animal productivity, i.e., increases in litter rates.



Source: USDA/NASS. <http://quickstats.nass.usda.gov/>.

The December report shows that litter rates continue to rebound from below-trend increases registered in 2013 and 2014 due to porcine epidemic diarrhea. The September-November litter rate was 10.53 pigs per litter, an increase of 2.9 percent from a year earlier. It is notable that the September-November litter rate is record-high for the U.S. pork industry, breaking the “highest ever” mark established in just the previous quarter (June-August 2015) (see next figure below).

**Litter rates, Sept.-Nov. and June-Aug., 1990-2015**



Source: USDA/NASS. <http://quickstats.nass.usda.gov/>.

Litter rates will likely continue to be a key factor driving U.S. pork production in 2016. Commercial pork production is forecast at almost 25 billion pounds, a 2-percent increase from last year, despite slightly lower first-half 2016 farrowing intentions stated in the December report. Lower farrowings—1 percent below first-half 2015—are expected to be more than offset by continuing-strong litter rates and slightly higher hog weights. For 2016, the average price of live equivalent 51-52 percent lean hogs is expected to be \$46-\$49 per cwt, more than 5 percent below prices in 2015.

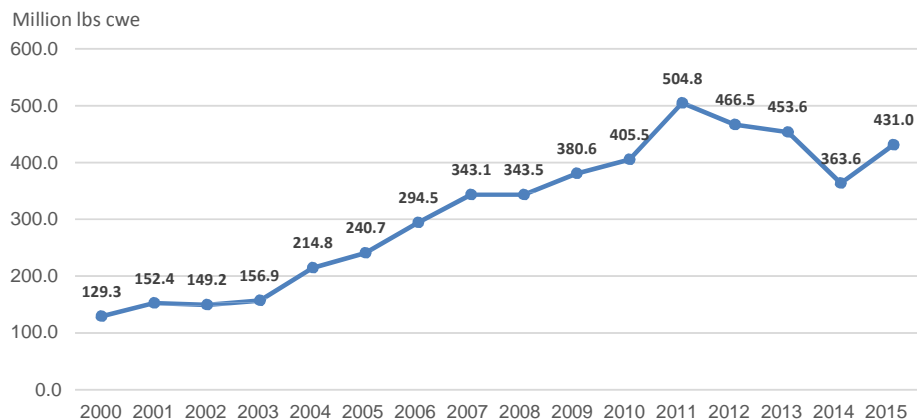
### ***November Exports Above Year-Ago Levels but Below November 2013***

November pork exports were 431 million pounds, almost 20 percent above November 2014—when PED effects on supply and pork prices hammered November exports—but 5 percent below shipments in November 2013 (see figure below). The top 10 most important foreign destinations for U.S. exported pork in November 2015 are summarized in the table below (following the figure). One of the more notable aspects of U.S. pork exports in 2015 has been that Mexico has displaced Japan as the most important destination for exported U.S. pork, in terms of volume. The data show that in 9 months out of 11, shipments to Mexico are the largest. However, in terms of unit value (dollars per carcass weight equivalent pound), Japan continues to be far and away the leader. In November, the mean unit value of all exported pork was \$0.99 per pound, carcass weight equivalent. Shipments to Mexico carried an average unit value of \$0.69, whereas for Japan the value was \$1.30. Of the top 10 largest (by volume) importers, Canada had the largest unit value of \$1.65.

The United States is expected to export 1.275 billion pounds of pork in the fourth quarter of 2015; 1.250 billion pounds in the first quarter of 2016, and 5.125 billion pounds, in total, for 2016.



### U.S. pork exports, November, 2000-2015



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

### U.S. pork exports to the 10 largest foreign destinations, November 2015, 2014, and 2013

	Country	November 2015 (million lbs)	November 2014 (million lbs)	November 2013 (million lbs)	Percent change 2015/2014 %	Percent change 2015/2013 %
	World	431	364	454	19	-5
1	Mexico	136	108	122	26	12
2	Japan	96	83	108	15	-11
3	Canada	48	46	52	3	-8
4	China-Hong Kong	43	26	56	70	-23
5	S. Korea	39	36	30	9	33
6	Australia	12	7	16	72	-23
7	Colombia	10	12	14	-15	-31
8	Honduras	7	5	8	40	-11
9	Dominican Rep.	6	4	4	56	46
10	Philippines	5	4	6	18	-13

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

### *COOL Repeal Likely Means a Slow Increase of Live Swine Imports*

The United States Country of Origin Labeling law was repealed in late December, meaning that it will no longer be necessary for U.S. pork processors to differentiate between U.S. and Canadian hogs. The COOL legislation became applicable to live hogs in 2009. U.S. imports of live hogs peaked in 2007, at about 10 million head. The absence of COOL—and a very favorable U.S.-Canadian dollar exchange rate will likely mean that U.S. imports of Canadian swine will increase in 2016. However, because of declines in Canadian swine inventories and excess packer demand in Western Canada, a surge of U.S. imports is not expected. Imports of Canadian live swine in 2016 are expected to increase about 9 percent, from 5.6 million head in 2015 to about 6.2 million head this year. For a Canadian seller of

hogs in the United States, a U.S. dollar earned exchanges to 1.4 Canadian dollars at current exchange rates. The strong value of the U.S. dollar enhances the competitiveness of Canadian hogs in the United States.

## Broiler prices and production forecast raised for 2016

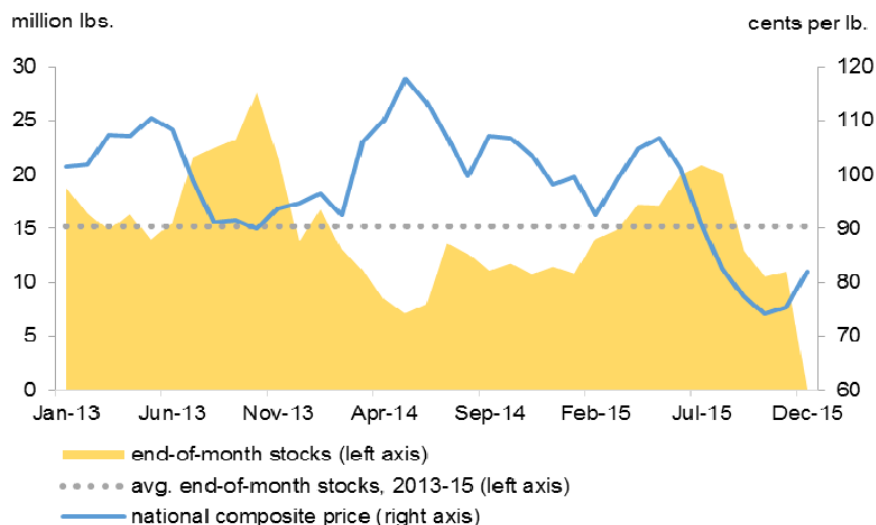
Daily preliminary slaughter data for broilers indicated lower than expected total production for December. On this basis, the 4th quarter production forecast of ready-to-cook (RTC) broiler meat was revised down by 100 million pounds to 9.98 billion pounds. However, annual production of RTC broiler meat was up 4.3 percent from 2014 on a year-to-date basis through November, helped by average live weight at slaughter weight 2.0 percent higher for the year.

Cold storage stocks of all broiler meat were up 28 percent as of November 30 compared to a year ago, due to strong production, trade restrictions tied to Highly Pathogenic Avian Influenza (HPAI), and the stronger dollar. Current high stock levels continued to weaken wholesale prices for most chicken parts, including breast meat, with the 2015 average price for boneless/skinless breasts down 22 percent year-over-year for December.

However, whole bird stock levels as of November 30 were down 47 percent from a 2015 peak in July and were about 27 percent below their 3-year average (see figure below). Whole bird prices at wholesale have rebounded 11 percent since October when the national composite whole bird price hit about 74 cents per pound, its low since November 2009. The national composite price for the 4th quarter was 77.2 cents per pound. Compared to 2011-2012, the effect of low prices on producers was cushioned by low feed prices in 2015.

Going forward, the most recent U.S. outbreak of HPAI is now more than 6 months past and exports are forecast to continue recovering. The forecast for stocks of broiler meat is maintained, with a peak at 850 million pounds for the close of the 4th quarter and a gradual decline to 690 million pounds by the end of 2016. An upward price trend for whole birds in 2016 is forecast, with a 2016 average price of 85-91 cents per pound. 2016 production is forecast at 40.95 billion pounds, as producers respond to higher broiler prices and lower feed costs.

**Whole broiler stocks and prices, 2013-2015**



Source: NASS, AMS

### ***Turkey Production Falls in November***

Turkey meat production in November totaled 471 million pounds, down 2 percent from a year earlier. The decline in production would have been greater, but November 2015 had 1 more slaughter day than the previous year. The decline in production was due to a decrease in the number of birds slaughtered at 20.2 million, down 3 percent, as the average liveweight of birds at slaughter rose slightly in November to 29 pounds. Over the first 11 months of 2015, turkey production totaled 5.2 billion pounds, 2 percent lower than during the same period in 2014. With November slaughter and weights higher than expected, the forecast for turkey production in fourth-quarter 2015 was increased by 20 million pounds to 1.44 billion. The forecast for first-quarter 2016 was also increased by 10 million pounds to 1.36 billion, still down 5 percent from a year earlier. The total forecast for 2016 is 6.0 billion pounds with strong gains in production in the second half of the year as relatively low stock levels and favorable feed prices are likely to encourage expanded production.

### ***Turkey Stocks Total 190 Million Pounds in November***

Total turkey cold storage holdings were 190 million pounds at the end of November, an increase of 1 percent from a year earlier. The majority of the increase came from higher stocks of breasts and products in the “unclassified” category. These increases were partially offset by decreases in cold storage holdings of whole turkeys and items in the “other” products category. Whole bird cold storage holding totaled only 59 million pounds, down seasonally and 14 percent lower than a year earlier. Continuing the pattern of the last several months, changes in the stocks of whole toms and whole hens varied widely. Stocks of whole hens totaled 34 million pounds, up 22 percent from a year earlier, while stocks of whole toms totaled only 24 million pounds, down 39 percent from November 2014. The lower overall stock levels for whole birds are expected to place some upward pressure on whole turkey prices. With exports of turkey products remaining below year-earlier levels and production revised upward, fourth-quarter ending stocks were increased by 20 million pounds to 210 million pounds, up 9 percent from the previous year.

### ***Whole Turkey Prices Higher***

Wholesale frozen whole hen prices averaged \$1.24 per pound in December, 16 percent higher than the previous year. With the increase in December, prices in fourth-quarter 2015 averaged \$1.30 per pound, up 14 percent from fourth-quarter 2014. Prices for whole hens are forecast to remain above year earlier-levels through the first half of 2016, but then to become lower in the second half as rising production places downward pressure on prices.

Weekly prices for boneless/skinless breast meat in December averaged well over \$5.00 per pound. This is between 50 and 60 percent higher than the previous year. Prices for boneless/skinless breast meat has been up strongly from the previous year throughout the second half of 2015. However, prices for drumstick and wings have been sharply lower than the previous year. In December, prices for drumsticks were around \$0.55 per pound and wing prices (full cut) were around \$0.50 to \$0.65 per pound, down over 20 percent from the previous year.

### ***Table Egg Production Still Lower***

Table egg production totaled 548 million dozen in November, down 11 percent from a year earlier. Over the last 6 months table egg production has been between 10 to 12 percent lower than the same month the previous year. The decrease in production in November was a combination of a lower number of hens in the table egg flock (down 9 percent) and a lower average rate of lay (2 percent lower) to 23.4 eggs per month. Fourth-quarter 2015 table egg production is expected to have been 1.7 billion dozen, a 10-percent decline from the previous year. Producers are expected to gradually expand output, and table egg production is forecast higher than a year earlier starting in second-quarter 2016.

While table egg production has been lower, production of hatching eggs over the first 11 months of 2015 has averaged 4 percent higher than the previous year. Production of broiler-type eggs for hatching totaled 84 million dozen in November, up 3 percent from a year earlier as broiler production expanded in 2015. Production of egg-type hatching eggs totaled 7 million dozen in November, a gain of 6 percent from a year earlier. This increase was due to a 9-percent increase in the number of hens in the egg-type hatching flock to 3.4 million birds. With broiler production forecast to expand in 2016 and table egg production also forecast higher, production of hatching eggs is forecast to increase to 1.1 billion dozen in 2016, up about 1 percent from a year earlier.

### ***Eggs Prices Fall in December***

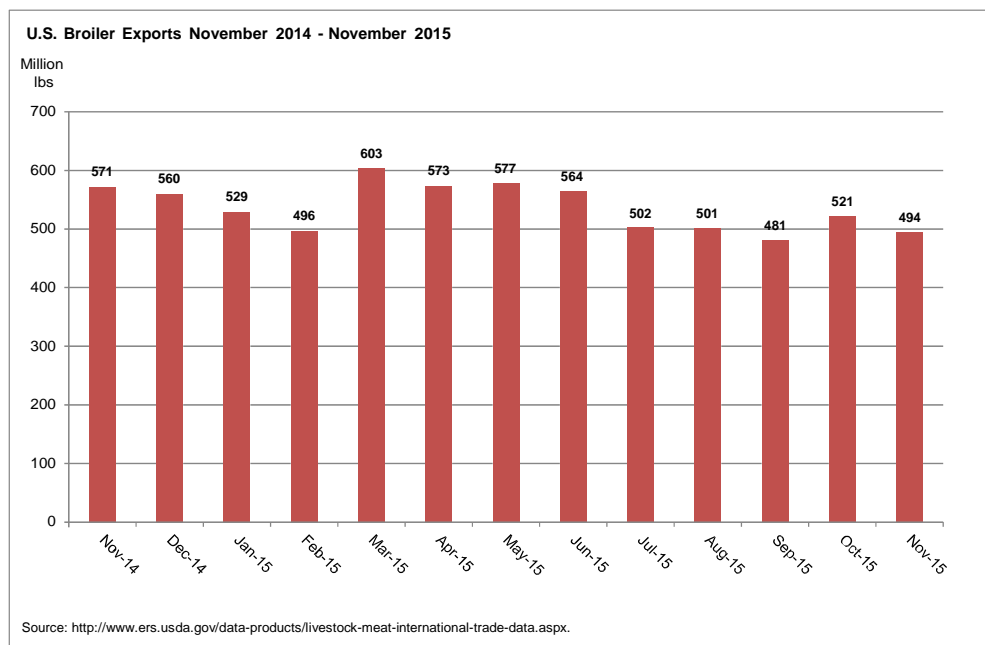
Wholesale prices for Grade A large eggs in the New York market averaged \$1.74 per dozen in fourth-quarter 2015, up 7 percent from the previous year but down 26 percent from the third-quarter high of \$2.36 per dozen. Prices in fourth-quarter 2015 varied widely, from \$1.66 per dozen in October to \$2.09 in November. Prices then fell sharply in December; in the first week, prices were about \$2.10 per dozen, but by the last week they had fallen to \$1.15 per dozen.

With the strong decline in prices during December, the egg price forecasts for all four quarters of 2016 were lowered significantly. The price of eggs is expected to be held down by growing production as the egg industry continues to expand the size of the table egg flock to the levels seen before the HPAI outbreak in 2015. The outlook for lower corn and soybean meal prices is also expected to encourage producers to expand production. The average wholesale price for 2016 is now forecast at \$1.41-\$1.51 per dozen, a decrease of 12 percent from the previous forecast and down 19 percent from 2015.

## Poultry Trade

### *U.S. Broiler Shipments Down in November*

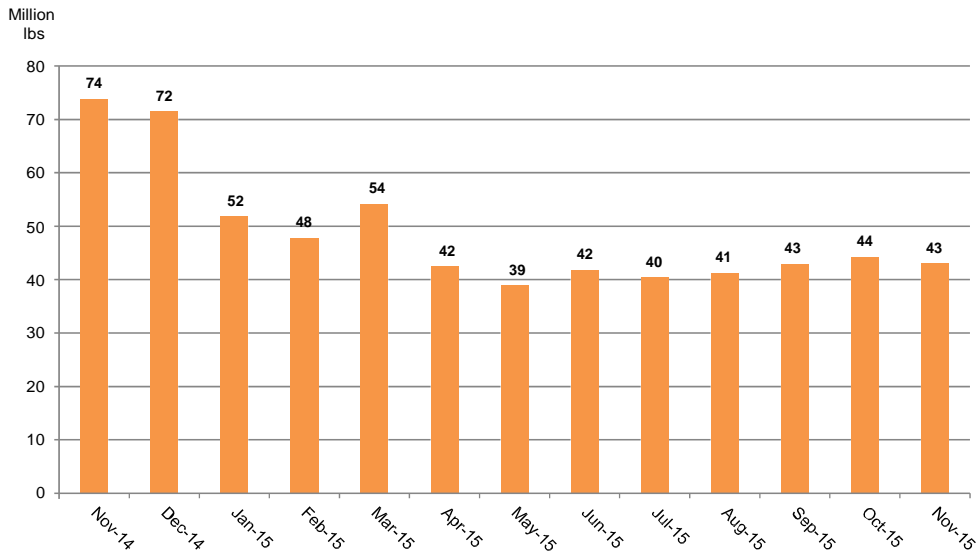
Broiler shipments dropped 14 percent in November compared with a year earlier, totaling 494 million pounds. Exports to Mexico, the United States' largest market, increased by 2 percent from November 2014 levels to 114 million pounds. National bans by China, Russia, and South Korea continued to impact exports. Shipments to many remaining Southeast and East Asian markets were strong in November with Hong Kong, Taiwan, and Vietnam all posting gains of greater than 30 percent compared with a year earlier. Declines were concentrated in the Middle East and Caucasus regions with Turkey, Georgia, United Arab Emirates, and Iraq all receiving more than 50 percent fewer shipments than a year earlier. The estimates of fourth-quarter 2015 broiler exports were reduced to 1.5 billion pounds because the impact of trade bans persisted, while the forecast for 2016 now stands at 6.85 billion pounds as the recovery in exports is expected to remain measured.



### *Turkey Exports Drop in November from a Year Earlier*

In November, turkey exports totaled 43 million pounds, 41 percent lower than the previous November. The decrease was mainly due to a sharp decline in exports to Mexico, the largest market for U.S. turkey products. The 26 million pounds shipped to Mexico in November were 39 percent lower than the previous November, but still represented 60 percent of U.S. turkey meat shipments this November. The drop was likely due to the decline in production caused by HPAI outbreaks in spring 2015 and continued bans on imports from U.S. States where there have been outbreaks. Fourth-quarter 2015 turkey exports are expected to total 130 million pounds, 5 million pounds below last month's forecast. The 2016 forecast is reduced to 690 million pounds, 50 million pounds less than last month. Exports in 2016 are still expected to recover by 30 percent as producers regain production capacity following the 2015 HPAI outbreak.

U.S. Turkey Exports November 2014 - November 2015

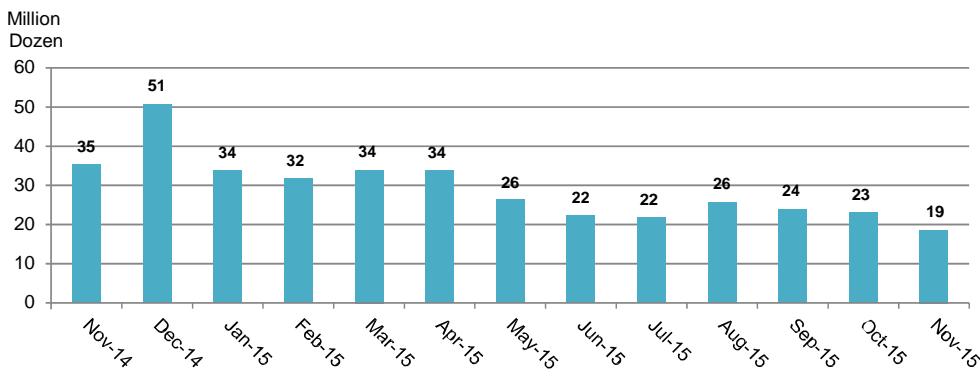


Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

### Egg Exports Down in November

Total egg exports (shell eggs and egg products) reached the shell egg equivalent of 19 million dozen in November, 47 percent lower than the previous year. The decline was primarily due to a sharp decrease in exports to Mexico, Japan, Hong Kong, and Canada. Shipments to Mexico were 54 percent lower in November compared with a year earlier, while shipments to Japan, Hong Kong, and Canada fell by 38 percent, 54 percent, and 30 percent, respectively. As with the turkey market, declining egg and egg product exports are likely due to reduced production caused by HPAI outbreaks in spring 2015 and bans on imports from U.S. States where there have been outbreaks. Egg exports in fourth-quarter 2015 are expected to total 65 million dozen as decreased production, high domestic prices, and trade bans are expected to have continued to limit exports. The forecast for 2016 exports is reduced to 330 million dozen, 20 million dozen less than last month's forecast.

U.S. Egg and Egg Product Exports November 2014 - November 2015

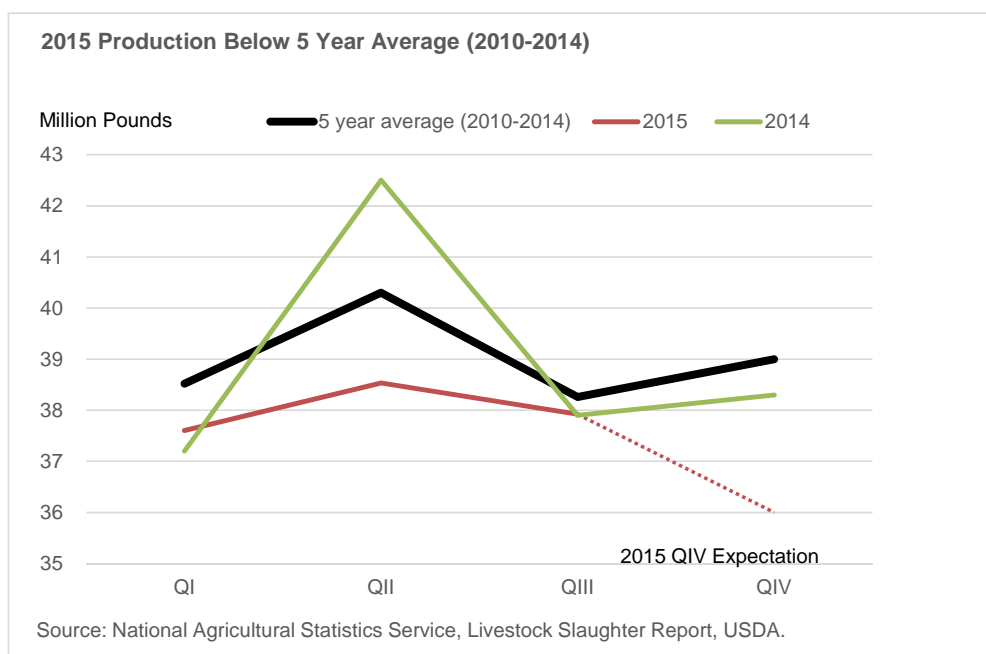


Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

## Sheep/Lamb

### *Fourth-Quarter 2015 Reduction in Lamb and Mutton Production*

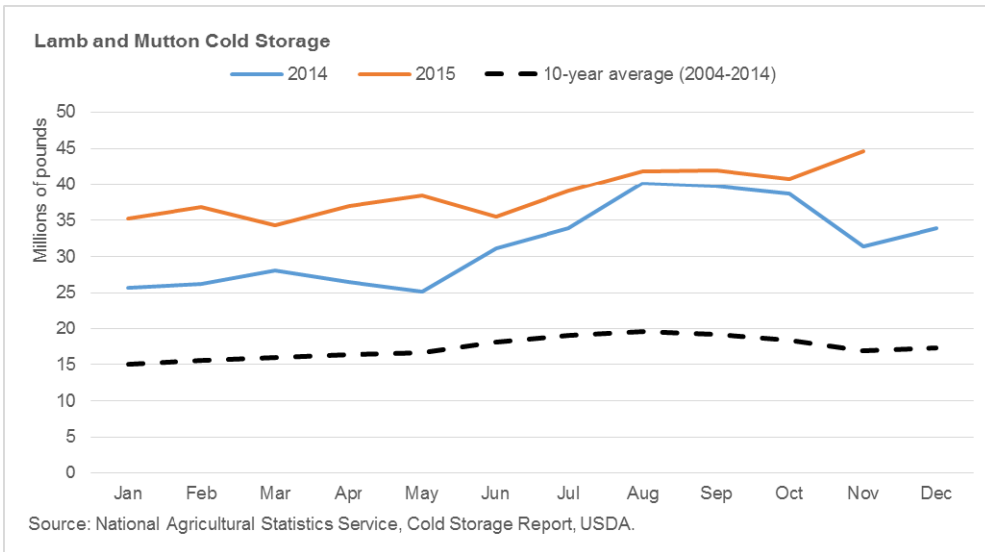
Fourth-quarter 2015 commercial lamb and mutton production is expected to be 36 million pounds, down about 5 percent from the same period in 2014. The fourth-quarter 2015 forecast deviates from the 5-year average of lamb and mutton production trend, where fourth quarter typically experiences an increase in production (see figure). The lower production could be associated with higher than normal stocks held in cold storage. This may suggest a weaker than normal throughput in lamb and mutton in the supply chain. Commercial production was 12 million pounds in October 2015 and 11.8 million pounds in November. It was estimated that December 2015 commercial production would be around 11-12 million pounds. There is a marked decline in the number of animals slaughtered in federally inspected plants during fourth-quarter 2015 relative to last year. In October, 186,300 head of sheep were commercially slaughtered—down 10 percent from the same period in 2014. The number of animals slaughtered in November was up 5 percent from 2014 (181,100 head) due to an extra slaughter day in November. Preliminary data for December 2015 suggest that animals slaughtered will be down relative to the same time last year.



### *Lamb and Mutton Reach Very High Cold Storage Levels*

The National Agricultural Statistics Service's Cold Storage report shows very high frozen stocks of lamb and mutton compared with the 10-year average (see figure). In particular, November 30, 2015, stocks were reported at 44.70 million pounds. The spike in frozen products may be attributed to the large volumes coming from Australia and New Zealand.





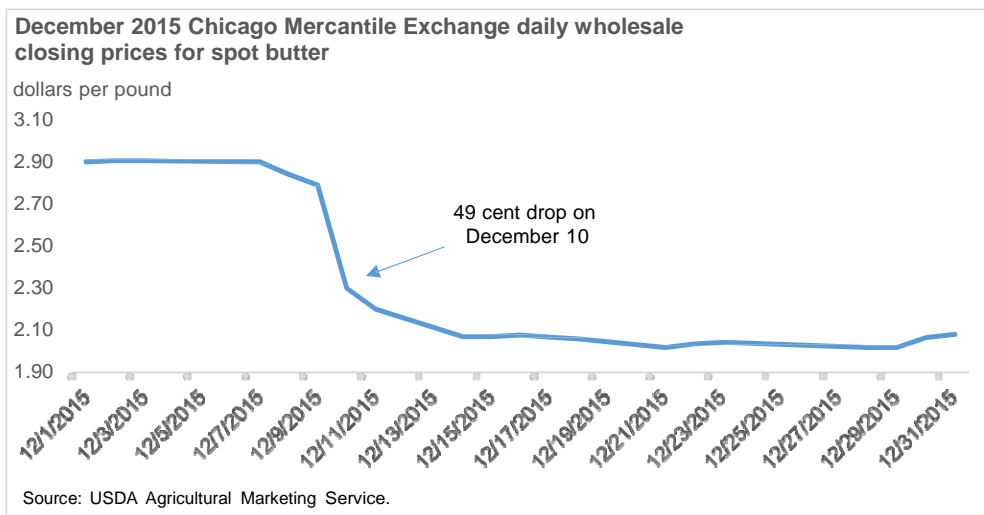
During fourth-quarter 2015 Choice slaughter lamb prices at San Angelo, Texas ranged between \$127-\$144/cwt. The fourth-quarter 2015 slaughter lamb price averaged \$143.06/cwt, down nearly \$20 from the same period last year. First-quarter 2016 slaughter lamb prices are expected to show a slight increase and are forecast to average \$147 to \$153/cwt.

## Recent Developments in Dairy Markets

The USDA National Agricultural Statistics Service (NASS) estimated U.S. milk production of 16.6 billion pounds for November, up 0.6 percent from November 2014. Milk cows numbered 9.313 million head, 29 thousand head more than November 2014 but unchanged from October 2015, which was revised upward by four thousand head. After milk per cow dropped slightly below the previous year in October, it rose to 4 pounds more than the previous year in November at 1,787 pounds.

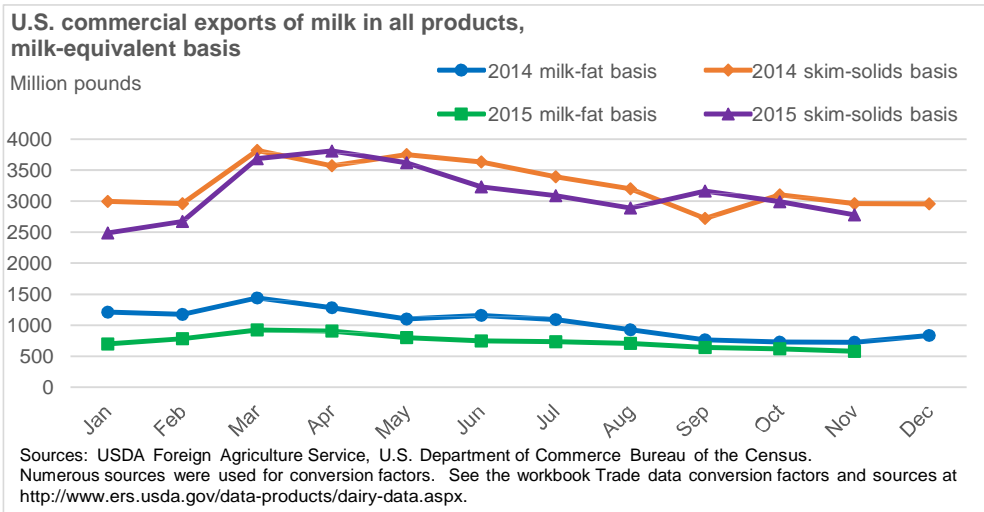
On December 26 and 27, a winter storm brought snow drifts of up to 10 feet in some areas of New Mexico and Texas, resulting in deaths of thousands of dairy cattle, interruptions of milk deliveries, and low yields. Disturbed lactation cycles of surviving cows may potentially contribute to lower yields for a prolonged period. The extent of the blizzard's impact is uncertain.

All of the monthly national wholesale prices for basic dairy products, as reported by USDA Agricultural Marketing Service (AMS), declined from November to December. The largest decline was for butter, which fell from \$2.800 to \$2.571 per pound. Notably, the daily closing price for spot butter on the Chicago Mercantile Exchange (CME) fell from \$2.790 per pound on December 9th to \$2.300 on December 10th. The fall of 49 cents per pound was the largest 1-day decrease in at least 15 years.<sup>1</sup> The daily CME price continued to fall before stabilizing within a range of \$2.018 to \$2.080 per pound during the second half of the month. National weekly wholesale prices for butter typically follow CME prices with a lag of about 1 week.



Dairy exports continued to decline from October to November, by 39 million pounds on a milk-fat milk-equivalent basis and by 212 million pounds on a skim-solids milk-equivalent basis. Exports of cheese, milk powders, and whey product exports declined from October to November.

<sup>1</sup> Daily CME data for the spot butter prior to 2000 are not readily available.



Ending stocks for butter and cheese for November were notably higher than November 2014, by 23.4 percent and 12.6 percent, respectively. While ending cheese stocks for November were about the same as October at 1.456 billion pounds, butter stocks fell from 178.8 million pounds in October to 132.7 million pounds in November.

### ***Outlook for World Dairy Markets***

According to the December issue of *Dairy: World Markets and Trade*, published by the USDA Foreign Agricultural Service, preliminary data indicate that milk production among the world’s major dairy exporters (the European Union (EU), United States, New Zealand, Australia, and Argentina) grew by 1 percent from 2014 to 2015. Growth among the major suppliers for 2016 is projected to be 1 percent, restrained by low milk prices largely due to the Russian ban on imports of dairy products and weak import demand from major importing countries such as China. In 2016, milk production is expected to grow by 1 percent for the EU and by about 2 percent for both the United States and Argentina. Australia’s 2016 milk production is expected to be about the same as in 2015, a year of unusually high growth (3 percent), due to favorable weather conditions. New Zealand’s milk production in 2016 is expected to decline by 3 percent due to low milk prices and pasture growth affected by colder than usual weather from June to mid-September. For more information, see <http://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>.

### ***Expected Supply, Use, and Prices for Dairy in 2015***

While dairy product prices and Federal milk marketing order class prices are known for 2015, supply and use data are still incomplete, and the all-milk price for December has not yet been reported. Based on recent data, the expected number of milk cows in the fourth quarter has been increased by five thousand cows<sup>2</sup> and milk per cow has been raised by 10 pounds. Recent data shows that the largest changes from last month’s projections in supply and use were in commercial exports on a skim-solids basis (-0.4 billion pounds) and domestic commercial disappearance (+0.3 billion pounds on both milk-fat and skim-solids bases). The Class III and

<sup>2</sup> Since the blizzard occurred in the last few days of the year, its impact on 2015 fourth quarter and annual national milk supply numbers is immaterial. Potential impacts would appear in 2016.

Class IV milk prices for 2015 were \$15.80 and \$14.35 per cwt, respectively. The expected all-milk price for 2015 is \$17.08 per cwt, substantially lower than \$23.97 in 2014.

### ***Dairy Forecasts for 2016***

Feed price forecasts have been lowered from last month. The corn price for 2015/16 is forecast at \$3.30-\$3.90 per bushel, a reduction from last month's forecast of \$3.35-\$3.95. The 2015/16 soybean meal price forecast is \$270-\$310 per short ton, a reduction from last month's forecast of \$290-\$330. The national average price for alfalfa hay decreased from \$156 to \$150 per short ton from October to November.

The 2016 milk cow number forecast has been lowered by 10 thousand head due to the recent blizzard and lower expected milk prices. With lower expected returns, milk per cow has been lowered by 35 pounds for the year. The milk production forecast for 2016 has been lowered to 211.8 billion pounds, 0.6 billion pounds less than forecast last month and a 1.6 percent year-over-year increase.

Based on lower expected exports of nonfat dry milk, whey products, and cheese, 2016 export forecasts have been lowered by 0.4 billion pounds on a milk-fat basis and 1.0 billion pounds on a skim-solids basis. In contrast to forecasts of previous months, in which year-over-year milk-fat basis exports were projected to increase, they are now forecast to decline by 0.1 billion pounds. Although the 2016 forecast for skim-solids basis exports has been significantly reduced from last month, the year-over-year increase is still expected to be positive at 0.4 billion pounds. The forecast for 2016 imports is raised by 0.1 billion pounds on both a milk-fat basis and a skim-solids basis, primarily due to higher expected cheese imports.

The domestic commercial use forecast for 2016 has been raised by 0.1 billion pounds on a milk-fat basis and by 0.4 billion pounds on a skim-solids basis due to lower expected cheese, nonfat dry milk (NDM), and whey prices. Ending stock forecasts for 2016 are lowered by 0.2 billion pounds on a milk-fat basis and raised by 0.3 billion pounds on a skim-solids basis.

For 2016, the butter price forecast has been raised to \$1.890-\$2.000 per pound due to relatively strong demand and lower expected production. The cheese price forecast has been lowered to \$1.545-\$1.625 per pound due to expected high beginning cheese stocks, the recent fall in prices, and expected lower exports. NDM and whey prices have been lowered to \$0.865-\$0.925 and \$0.240-\$0.270 per pound, respectively, due to weaker expected exports. With lower expected cheese and whey prices, the 2016 Class III milk forecast has been lowered to \$14.05-\$14.85 per cwt. The Class IV milk forecast has been lowered to \$13.35-\$14.25 per cwt, as the projected reduction in the NDM price more than offsets the increase in the butter price. With lower expected Class III and IV prices, the all-milk price forecast for 2016 has been lowered to \$15.35-\$16.15 per cwt, a reduction from the \$15.95-\$16.75 forecast last month.

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Dairy Data, <http://www.ers.usda.gov/data-products/dairy-data.aspx>, includes data from multiple sources concerning supply, demand, and prices for the dairy industry.

## 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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## Dairy Forecasts

	2014	2015					2016				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.) 1/	9,256	9,305	9,320	9,313	9,315	9,315	9,290	9,300	9,295	9,290	9,295
Milk per cow (pounds)	22,260	5,583	5,757	5,546	5,490	22,375	5,685	5,810	5,650	5,645	22,790
<b>Milk production (bil. pounds)</b>	<b>206.0</b>	<b>51.9</b>	<b>53.7</b>	<b>51.7</b>	<b>51.1</b>	<b>208.4</b>	<b>52.8</b>	<b>54.0</b>	<b>52.5</b>	<b>52.4</b>	<b>211.8</b>
Farm use	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	205.1	51.7	53.4	51.4	50.9	207.4	52.6	53.8	52.3	52.2	210.8
<b>Milkfat (bil. pounds milk equiv.)</b>											
Milk marketings	205.1	51.7	53.4	51.4	50.9	207.4	52.6	53.8	52.3	52.2	210.8
Beginning commercial stocks	11.2	11.2	13.3	15.6	14.1	11.2	12.8	14.7	15.6	13.8	12.8
Imports	4.3	1.2	1.3	1.5	1.7	5.8	1.4	1.4	1.5	1.7	5.9
Total supply	220.6	64.2	68.0	68.5	66.7	224.5	66.7	69.9	69.4	67.7	229.6
Commercial exports	12.4	2.4	2.5	2.1	1.8	8.7	1.9	2.2	2.3	2.3	8.6
Ending commercial stocks	11.2	13.3	15.6	14.1	12.8	12.8	14.7	15.6	13.8	12.0	12.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	196.9	48.5	50.0	52.4	52.1	203.0	50.1	52.2	53.3	53.4	209.0
<b>Skim solids (bil. pounds milk equiv.)</b>											
Milk marketings	205.1	51.7	53.4	51.4	50.9	207.4	52.6	53.8	52.3	52.2	210.8
Beginning commercial stocks	11.7	13.1	13.7	14.6	14.0	13.1	14.0	14.5	15.7	14.5	14.0
Imports	5.6	1.4	1.5	1.4	1.6	6.0	1.4	1.5	1.6	1.7	6.2
Total supply	222.4	66.2	68.6	67.4	66.5	226.5	68.0	69.8	69.5	68.4	231.0
Commercial exports	39.1	8.8	10.7	9.1	8.7	37.3	8.8	9.5	9.7	9.8	37.7
Ending commercial stocks	13.1	13.7	14.6	14.0	14.0	14.0	14.5	15.7	14.5	14.0	14.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	170.2	43.7	43.3	44.3	43.8	175.2	44.7	44.7	45.3	44.6	179.3
<b>Milk prices (dol./cwt) 2/</b>											
All milk	23.97	17.00	16.70	16.93	17.65	17.08	15.25	14.60	15.45	16.10	15.35
					-17.75		-15.65	15.30	-16.45	-17.10	-16.15
Class III	22.34	15.73	16.24	16.14	15.07	15.80	13.35	13.70	14.60	14.55	14.05
							-13.75	-14.40	-15.60	-15.55	-14.85
Class IV	22.09	13.62	13.77	13.71	16.28	14.35	12.80	12.85	13.70	14.05	13.35
							-13.30	-13.65	14.80	-15.15	-14.25
<b>Product prices (dol./pound) 2/</b>											
Cheddar cheese	2.155	1.567	1.663	1.718	1.634	1.645	1.480	1.515	1.600	1.590	1.545
							-1.520	-1.585	-1.700	-1.690	-1.625
Dry whey	0.654	0.529	0.444	0.316	0.233	0.380	0.230	0.235	0.245	0.255	0.240
							-0.250	-0.265	-0.275	-0.285	-0.270
Butter	2.136	1.647	1.838	2.135	2.648	2.067	1.940	1.860	1.885	1.885	1.890
							-2.010	-1.960	-2.015	-2.015	-2.000
Nonfat dry milk	1.768	1.024	0.948	0.794	0.841	0.902	0.775	0.820	0.915	0.955	0.865
							-0.815	-0.880	-0.985	-1.025	-0.925

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 USDA *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.

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