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Livestock, Dairy, and Poultry Outlook

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Disparate Inventories Widen Price Gaps Between Beef and Pork and Poultry

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Tables will be released
on Apr. 28, 2015

The next newsletter
release is May 18, 2015

Approved by the
World Agricultural
Outlook Board.

Beef/Cattle: Because of disproportionate placements of heavy feeder cattle in feedlots, relatively inexpensive corn, and historically low cattle on feed inventories, cattle feeders have been able to retain fed cattle to heavier weights, and packers have paid prices higher than are consistent with increases in wholesale cutout values. As a result, narrow-to-negative profit margins persist despite record price levels for virtually all of the cattle/beef complex.

Beef/Cattle Trade: U.S. cattle imports were weaker during February than in the same period a year earlier. U.S. beef imports in February were 48.8 percent higher than the previous year, mostly due to increased shipments from Australia, while February beef exports were below those of last year.

Recent Livestock, Dairy and Poultry Special Articles

“Effect of the Trans-Pacific Partnership on U.S. Dairy Trade,” pdf pages 19-25 of November 2013 Livestock, Dairy and Poultry Outlook report
(<http://www.ers.usda.gov/media/1221780/specialarticleldpm233.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>)

“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>)

Pork/Hogs: USDA's March 27th Quarterly Hogs and Pigs report showed inventories, farrowing intentions, and litter rates that will likely lead to larger 2015 pork production and lower hog prices compared with 2014. February pork exports lagged year-ago volumes, likely due to relatively high exchange rate values of the U.S. dollar and a slowdown at West Coast port facilities.

Poultry: Broiler meat production totaled 6.3 billion pounds in the first 2 months of 2015, 2 percent higher than in the same period in 2014, based on relatively small increases in the number of birds slaughtered and their average liveweight. After being lower on a year-over-year basis for most of 2014, broiler cold storage holdings at the end of February totaled 696 million pounds, up 7 percent from the previous year. U.S. turkey meat production in first-quarter 2015 is now estimated at 1.4 billion pounds, 25 million pounds less than the previous estimate but 7 percent higher than a year earlier. Turkey cold storage holdings at the end of February were 323 million pounds, an increase of 4 percent from a year earlier. The wholesale price for one dozen large eggs in the New York region averaged \$1.47 in first-quarter 2015, 3 percent higher than in first-quarter 2014.

Poultry Trade: Turkey and broiler shipments in February were down from a year ago, while egg and egg product shipments were up compared with a year earlier. Broiler shipments totaled 496.4 million pounds in February 2015, a decrease of 17.0 percent from a year earlier. Turkey shipments decreased 7.6 percent from a year ago, totaling 47.8 million pounds, while egg and egg product exports totaled 31.6 million dozen in February 2015, a 12.0-percent increase from the previous February.

Dairy: Milk production for 2015 is forecast at 210.0 billion pounds, 1.9 percent higher than the 2014 level of 206.0 billion pounds but 1.1 billion pounds less than forecast last month. Forecasts for exports have been reduced, while forecasts for imports on a milk-fat milk-equivalent basis have been raised. The Class III milk price forecast is raised to \$16.20-\$16.70 per hundredweight (cwt), and the Class IV milk price forecast is lowered to \$14.45-\$15.05 per cwt. The all-milk price for 2015 is forecast at \$17.10-\$17.60 per cwt, unchanged from last month's forecast at the midpoint of the range.

Heavy Placement Weights and Cheap Corn Lead to Large Carcasses

Placements of feeder cattle into feedlots of 1000-plus head in February 2015 were lower than some analysts expected, with lower placements in most weight classes. The exception was placements of feeder cattle weighing 800-plus pounds. While most wheat-pasture cattle were removed from wheat in mid-March in order to prevent damage to the wheat joint or growing point, unseasonably large numbers of relatively heavy-weight feeder cattle continue to be sold at auction, suggesting continued movement from wheat pasture. Anecdotal evidence also suggests that not all cattle in Texas have yet been moved off winter wheat. Recent increases in feeder cattle prices could lead to some wheat being grazed out.

Further, some cattle may have been carried through the winter in growing lots, a strategy for which there is also anecdotal support. Drylot backgrounding becomes feasible when corn prices are as low as they have been recently, and it has the added advantage of accustoming feeder cattle to eat from feed bunks, which is helpful when they are moved to feedlots. It is also a way for producers to market their corn at increased value. Some replacement heifers may also have been grown in backgrounding lots through the winter to get them physically and physiologically ready for breeding this summer.

Weekly veal prices (carcass-hide off) reached more than \$570 per cwt in February 2015, roughly \$100 per cwt above February 2014 prices and nearly \$150 per cwt higher than the 2010-2014 average (AMS, Weekly Veal Market Summary). These price increases reflect the significant downward trend in year-to-date veal production—down 23 percent compared with February 2014—and the increased value calves have as feeder cattle. However, average liveweights of veal calves in February, at 293 pounds, were up 26 pounds from weights in February 2014.

Feeder and fed cattle prices have been volatile for most of this winter. Cow prices have continued steady-to-higher, with anticipated seasonal decreases in cow slaughter; the prices have held despite increasing boneless cold storage stocks from increased supplies of imported processing beef and heldover stocks from earlier West Coast shipping issues. Following their winter volatility, prices for feeder and fed cattle picked up during the last half of March. Feeder cattle prices have increased despite large numbers of cattle crossing the scales at heavy weights on their way to feedlots.

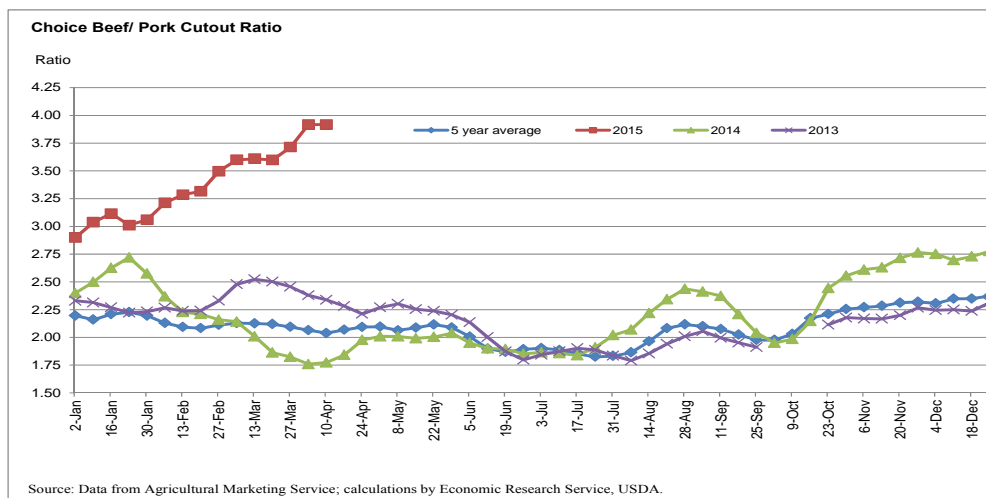
Despite the heavier dressed weights due to longer feeding periods and near-term expectations of more red ink for cattle feeders—mostly due to high feeder cattle prices when the cattle were placed in feedlots—cattle feeders appear to have the upper hand in the ongoing tug-of-war with beef packers over fed cattle prices. Further, moderate corn prices and strength in fed-cattle prices have improved the potential for positive cattle-feeding margins later in 2015. However, with dressed weights following a muted seasonal pattern of decline thus far into late winter/spring, which can result in undesirably large cuts at retail counters, cattle feeders could encounter additional discounts for heavy carcasses from beef packers. Offsetting negative price pressures from heavier dressed weights, and to the extent that cow-calf operators continue to hold back heifers in an effort to rebuild the

nation's beef cow herd, supplies of fed cattle will remain constrained, which should provide support for wholesale beef prices at their historically high levels.

Wholesale beef cutout values appear to be strengthening into the spring quarter. Both Choice and Select cutouts are pushing toward new record highs from the combination of tight supplies and seasonal demand strength. Weekly Choice cutout values advanced from a mid-February weekly low of \$238.69 to \$2557.50 on April 10, while Select cutout values gained almost as much over the period. Based on the weekly boxed beef cutout data (report LM_XB459), the Choice cutout value has gained \$8.59 since the first week of March, while the Select cutout has gained \$5.45 over the same period. The gains in the boxed beef cutouts over the last 5 weeks are the result of significant gains in beef middle meats (i.e., the rib and loin primals). This is not surprising, given the tendency for both Choice and Select beef cutouts to gain momentum heading into the spring grilling season when these more expensive cuts become popular.

Nonetheless, less expensive wholesale prices for both pork and poultry will continue to be problematic for the boxed beef industry as whole. Although beef cutout values remain historically high, beef packers continue to pay higher prices for cattle. This has led to packer margins being constrained—and in some instances stuck in negative territory—through most of the first quarter. However, packers could experience some improvements in their margins during the second quarter as the spring grilling season takes center stage and near-term demand increases, supporting higher cutout values.

Pork product values, on the other hand, have fallen sharply due to rapid recovery in production and weakening export demand this year. Combined with firm pricing in the boxed beef market, this has resulted in record price spreads between beef and pork cutout values. As seen in the figure below, the price spread between the two cutouts has continued to widen sharply since the beginning of the calendar year. As a result, beef prices will likely be met with some resistance at the retail level as retailers increasingly feature pork and poultry in an effort to recapture any margin losses in the beef case. Retail beef prices reached record-high levels in February, averaging \$6.028 per pound, up approximately 14 percent year-over-year. The pork-beef price spread should begin to narrow heading into the summer quarter, as seasonally smaller hog supplies underpin the pork cutout and beef cattle supplies expand modestly (on a seasonal basis).



Beef/Cattle Trade

Cattle Imports Down in February

February cattle imports fell 6.2 percent compared with a year earlier. Imports from Mexico were up 3.5 percent over last February, but imports of Canadian cattle were down 15.2 percent below a year earlier. Feeder cattle imports were up for both Mexico (+3.6 percent) and Canada (+18.4 percent), but the decline in fed cattle and slaughter cow imports from Canada was large enough to move the total into negative territory. The forecast for U.S. cattle imports in 2015 is down 50 thousand head from March and is expected to total 2.250 million head. The decline is due to lower than expected imports of fed cattle from Canada; however, demand for imported cattle is expected to remain strong through the year due to tight U.S. cattle inventories and expected heifer retention.

Beef Imports Rise in February

U.S. beef imports were up 48.8 percent in February compared with a year earlier. Imports rose by the greatest volume from Australia (+114.9 percent), Brazil (+309.1 percent) Mexico (+44.0 percent), and New Zealand (+16.9 percent). Demand for imported processing beef expanded rapidly in 2014 due to lower domestic supplies of lean beef and is expected to continue through 2015. The largest increase in beef shipments in February came from Australia, with U.S. imports totaling 69.9 million pounds. A strong U.S. dollar and relatively cheaper prices of imported products have encouraged aggregate U.S. imports of beef, which totaled 2.947 billion pounds in 2014. Imports in 2015 are forecast at 2.910 billion pounds.

Beef Exports Decline in February

At 178.0 million pounds, U.S. beef exports in February fell 2.6 percent compared with a year earlier. February 2015 exports were down to three major markets; Hong Kong (-18.2 percent), Canada (-17.8 percent), and Mexico (-16.4 percent). Japan remains the largest market for U.S. beef, and February shipments were up 9.3 percent compared with a year earlier. Exports are forecast to fall in 2015 to 2.420 billion pounds due to lower expected U.S. beef production, high prices, and a strong dollar.

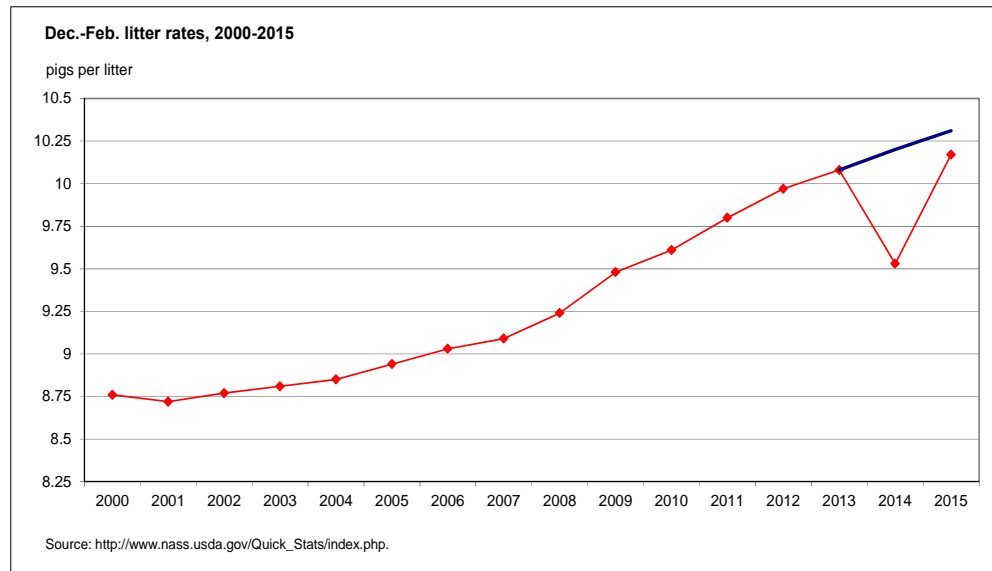
U.S. Hog Production Industry's Rebound From PEDv Continues

USDA's March 27th Quarterly Hogs and Pigs report showed larger March 1 inventories of market hogs and breeding animals, pointing—when taken with stated farrowing intentions and rebounding litter rates—to larger supplies of pork and lower hog prices for the rest of 2015.

The March 1 inventory of market hogs, at 60 million head, was 7.7 percent larger than in last March when the industry struggled with Porcine Epidemic Diarrhea (PEDv) and 1.2 percent larger than spring 2013 inventory. Larger March 1 numbers compared with pre-PEDv inventories suggest that the industry's rebound has gained traction. The increase in breeding herd numbers—the third in as many quarters—likely indicates the industry is expanding its capacity to produce pigs.

Litter rates reported in the March 1 report also showed a rebound. Pigs per litter in the December-February quarter were 10.17, a 6.7-percent increase over the year-earlier PEDv-reduced rate of 9.53 pigs per litter. The dark trend line in the figure below suggests that winter-quarter litter rates did not return to pre-PEDv growth trends; that is, the industry may not have fully recovered from PEDv. Nevertheless, the 10.17 rate reported is record-high for the quarter and will contribute to pork production increases in the summer of 2015.

USDA revised its forecast for 2015 commercial pork production to 24.2 billion pounds, an increase of 6.1 percent over a year ago and 4.5 percent above 2013—a year whose production was largely uncompromised by PEDv and that is perhaps a better basis for comparison. Higher 2015 production rates, together with lower net exports, are expected to depress 2015 hog prices to levels below a year earlier and below prices in 2013. Second-quarter average prices of live equivalent 51-52 percent lean hogs are expected to average \$49-\$51 per cwt, about 42 percent below second quarter 2014 and 24 percent below second-quarter 2013. For 2015, hog prices are expected to average \$48-\$51 per cwt, 35 percent below 2014 and 23 percent below 2013.



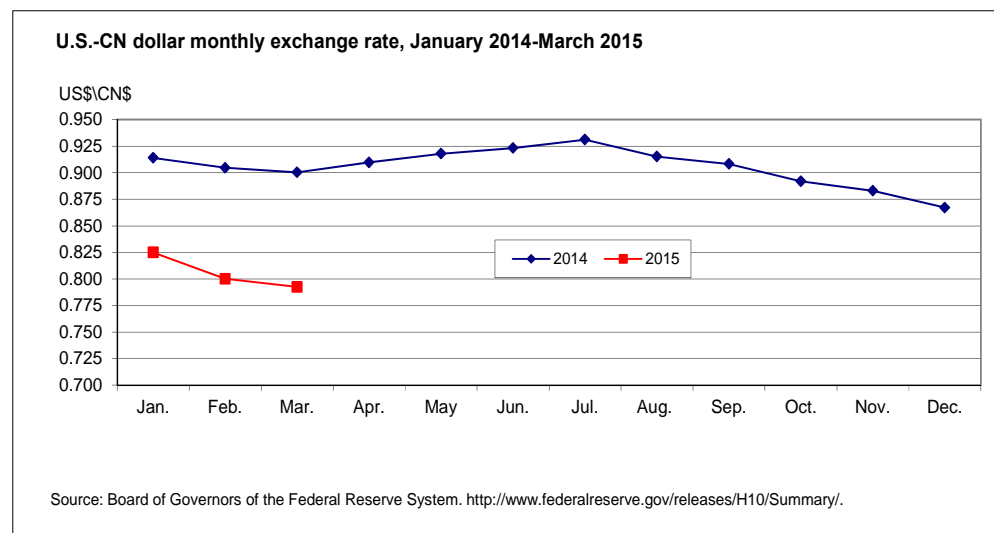
High-Valued Dollar and West Coast Port Slowdown a Drag on February Pork Exports

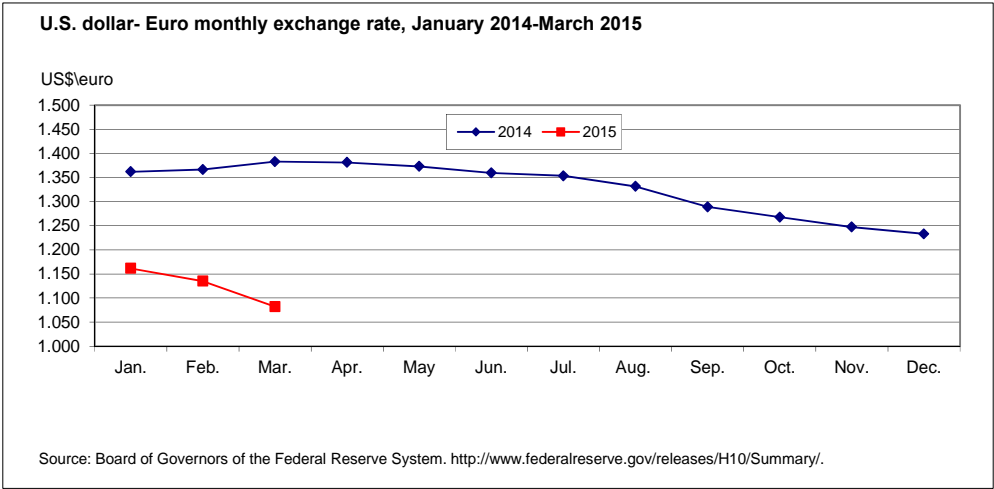
U.S. pork exports in February were 377 million pounds, more than 10 percent below a year ago. Lower exports were a likely consequence of the high exchange rate value of the U.S. dollar, along with labor issues at West Coast ports—which have since been resolved—that slowed inbound and outbound flows of cargo. Although the export picture has been dreary since the beginning of the second half of 2014, there were two important positive aspects of the February trade data: exports to both Mexico and Canada were year-over-year higher in February. This is important because Mexico was the largest foreign destination of exported U.S. pork in 2014, and together, Canada and Mexico accounted for nearly 40 percent of U.S. pork exports last year. Increased February shipments to NAFTA partner countries suggest that U.S. pork prices have fallen to a point that partially offsets the effects of high U.S. dollar exchange rates. Exports to most Asian countries were lower again in February, due in part to competition from European pork, denominated in low-valued euros, and shipping delays out of West Coast ports.

USDA anticipates first-quarter exports of 1.125 billion pounds, more than 16 percent lower than exports a year ago. The exchange-rate drag is expected to slow second-quarter exports to 1.175 billion pounds, more than 8 percent below a year earlier. Second-half exports are expected to exceed same-period 2014 shipments that were depressed by the PEDv market environment in the United States. U.S. pork exports for 2015 are expected to total 4.75 billion pounds, more than 2 percent below exports last year.

High-Valued U.S. Dollar Likely Fueled Imports in February

U.S. pork imports in February were about 84 million pounds, 32 percent more than a year ago. The exchange rate value of the U.S. dollar reduces the effective prices of pork shipped to the United States from countries whose currencies have depreciated against the dollar. Canada and several member States of the European Union shipped more pork to the U.S. in February. Exchange rates of the Canadian dollar and the Euro are depicted below.





First-quarter imports are expected to total 305 million pounds, almost 44 percent above a year ago. Imports for 2015 are expected to be 1.2 billion pounds, an increase of almost 22 percent over last year.

Calculated year-over-year percent changes appear large because the United States typically imports relatively modest volumes of pork. But, in 2015, a year where imports are expected to be relatively “large,” imported pork is expected to constitute about 5 percent of U.S. commercial pork production. By contrast, Japan—a major pork-importing country—typically imports volumes that amount to upwards of 80 percent of pork production.

February Broiler Production Down 1 Percent

Although broiler meat production in January was 5 percent higher than the previous year, production in February was down 1 percent to 3 billion pounds; however, the estimate for first-quarter 2015 remained at 9.7 billion pounds, an increase of 5 percent from a year earlier. Current data point toward a strong increase in broiler meat production in March based on one additional slaughter day, leading to a higher number of birds slaughtered, in addition to continued increases in average liveweights. In February the number of birds slaughtered fell by 2 percent, but that decline was partially offset by a 1-percent increase in average liveweights at slaughter. This pattern of moderate growth in the number of birds slaughtered and higher liveweights is expected to continue throughout most of 2015. The increases are expected to push forecast broiler meat production in 2015 to 40 billion pounds, 4 percent higher than in 2014.

At the end of February, cold storage holdings totaled 696 million pounds, 7 percent higher than the previous year. The increase in cold storage holdings at the end of February is due to increases in most of the categories reported, with the exception of wings and drumsticks. The largest increase was for breast meat (up 30 percent or 36 million pounds). The stocks at the end of first-quarter 2015 are expected to have been 675 million pounds, but this is forecast to increase to 700 million by the end of the second quarter. With a number of trade restrictions in place due to the outbreaks of high pathogenic avian influenza (HPAI), much of the gain in broiler stocks is expected to be in leg quarters.

Weekly estimates in the *NASS Broiler Hatchery Report* continue to point toward gains in the number of broilers produced for slaughter to be moderately higher than in the same period a year earlier. Over the last 5 weeks (March 7 to April 4), eggs set in incubators averaged 207 million, 2.3 percent higher than the previous year. During this same period, the number of chicks placed for growout averaged 2.6 percent higher than in the previous year. This indicates that broiler meat production is likely to have a higher number of birds available for slaughter in most of the second quarter in addition to expected higher liveweights.

In first-quarter 2015, the national wholesale price for whole birds averaged \$0.97 per pound, down 1 percent from the previous year. The January price was somewhat higher than the previous year, but higher production and increasing stocks of whole birds have placed downward pressure on prices. The March price was \$0.99 per pound, down 7 percent from a year earlier. Changes in wholesale first-quarter prices in the Northeast region compared with the previous year were mixed. The changes for broiler parts were higher prices for breast meat products and wings and lower prices for leg meat products. Prices for boneless skinless (B/S) breast meat in first-quarter 2015 averaged \$1.39 per pound, 5 percent higher than a year earlier. Prices for leg quarters averaged \$0.38 per pound in the first quarter, 11 percent lower than the previous year. With production and stock levels expected to be higher than the previous year, prices for most broiler products will be under some downward price pressure. However, forecast declines in unemployment rates and a relatively strong domestic economy may be beneficial for breast meat prices.

Turkey Production Reduced in First Half of 2015

U.S. turkey meat production in first-quarter 2015 is now estimated at 1.4 billion pounds, 25 million pounds less than the previous estimate, but 7 percent higher than a year earlier. The production estimate for second-quarter 2015 was also reduced by 25 million pounds. During January and February 2015, turkey meat production totaled 927 million pounds, 6 percent higher than in the same period in 2014. During this period, the number of turkeys slaughtered rose by 5 percent, and average live bird weights were 31.4 pounds, 1 percent higher than during the same period in 2014. The reductions for the first and second quarters are based on reductions in turkey poult placements in earlier months but include a small increase in average liveweights. The production total for 2015 is now 6 billion pounds, 5 percent higher than a year earlier.

At the end of February, turkey products in cold storage totaled 323 million pounds, 4 percent higher than the previous year. On a year-over-year basis, turkey stocks were lower throughout 2014, but higher production in 2015 is expected to result in higher stock levels. Cold storage holdings in February were higher in almost all categories; the lone exception was breast meat, which was down 24 percent from the previous year to 43 million pounds. Holdings of whole birds at the end of February were 14 percent higher than earlier, placing downward pressure on whole bird prices. Total cold storage holdings for whole turkeys and turkey products are expected to increase seasonally through the first three quarters of the year and remain well above year-earlier levels throughout the year.

During first-quarter 2015, prices for whole hen turkeys averaged \$1.00 per pound, 1 percent below the previous year. With higher production in 2015 and year-over-year increases in cold storage holdings expected for most of 2015, prices for whole birds and turkey parts are expected to experience some downward pressure. Prices for whole frozen hens are forecast below year-earlier levels throughout 2015. Over the first 2 months of 2015, prices for turkey breast meat products were higher than in the same period in 2014. Prices for breast meat averaged \$2.27 per pound, up 4 percent from the same period in 2014, and prices for B/S breast meat were up considerably (35 to 44 percent). On the other hand, prices for leg meat products (drumsticks and thighs) were lower than the previous year. The average national price for frozen whole hens in second-quarter 2015 is forecast at \$1.00-\$1.04 per pound, about 4 cents below a year earlier, with the yearly price forecast at \$1.01-\$1.07 per pound, down from 2014's \$1.08 per pound.

Table and Hatching Egg Production Higher

Over the first 2 months of 2015, the number of hens in the table egg flock has averaged less than 1 percent higher than in the same period in the previous year. With this small increase in hen numbers, table egg production in first-quarter 2015 was lowered slightly to 1.79 billion dozen, 1 percent higher than a year earlier. With favorable returns, egg producers are expected to continue to expand production, but at a relatively slow rate. The current forecast for 2015 is for slightly higher production throughout the year (averaging just under one-half-percent higher).

Hatching egg production is expected to total 270 million dozen in first-quarter 2015, about 3 percent higher than in 2014. Over the first 2 months of 2015, the size

of the hatching flock has averaged 2 percent higher at 57.4 million birds. Hatching egg production is forecast to be higher than the previous year throughout 2015, driven primarily by higher production of meat-type eggs for the broiler market. In February, the number of broiler-type hens in the hatching flock totaled 54 million, up 2 percent from a year earlier. The higher hen numbers are expected to be boosted by a slight gain in the number of eggs produced by hens in the hatching egg flocks. Total production of hatching eggs in 2015 is forecast at 1.1 billion dozen, 4 percent higher than in 2014.

Eggs Prices Up 3 Percent in First Quarter

The wholesale price for one dozen large eggs in the New York region averaged \$1.47 in first-quarter 2015, 3 percent higher than in first-quarter 2014. With the Easter holiday in early April, egg prices began to strengthen seasonally in late-February and are expected to decline seasonally post-Easter. Prices in second-quarter 2015 are forecast at \$1.23 - \$1.27 per dozen, down from the first-quarter price and about 7 percent per dozen lower than a year earlier.

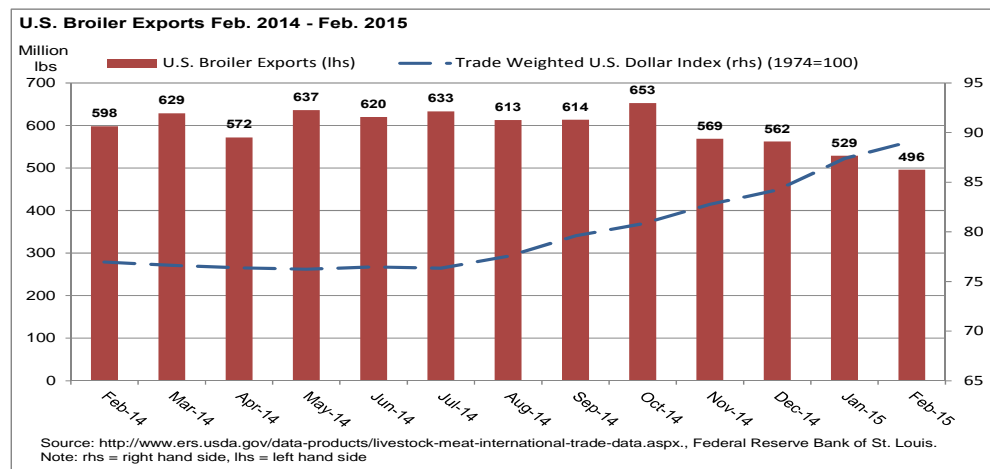
Poultry Trade

U.S. Broiler Shipments Down Sharply in February

Broiler shipments in February 2015 decreased 17.0 percent from a year earlier, totaling 496.4 million pounds. Top export partners in February included Mexico, Taiwan, Hong Kong, Canada, and Cuba, with Mexico leading with 113.0 million pounds shipped. The second highest U.S. export market was Taiwan, with 38.2 million pounds shipped, followed by Hong Kong with 28.1 million pounds. Canada and Cuba finished fourth and fifth, with exports totaling 27.4 and 24.1 million pounds, respectively. Large year-over-year increases were seen in Taiwan and Vietnam, in spite of the overall decline. Both countries were 100 percent higher or more than in the previous February.

Significant losses occurred in several markets. The largest declines, excluding countries with U.S.-wide poultry bans in effect, were in Angola, Turkey, Iraq, Azerbaijan, and Cuba. Each country had more than 10 million pounds less in broiler shipments this February than a year earlier. Angola had the largest decline, with 40.2 million fewer pounds shipped than in February 2014, a decrease of 87.5 percent. Some of the decline from Angola may be temporary, as importers have faced issues in receiving new licenses to import poultry products. Some of the decline, however, is likely due to reduced oil revenues in the country, in addition to the effects of a stronger dollar.

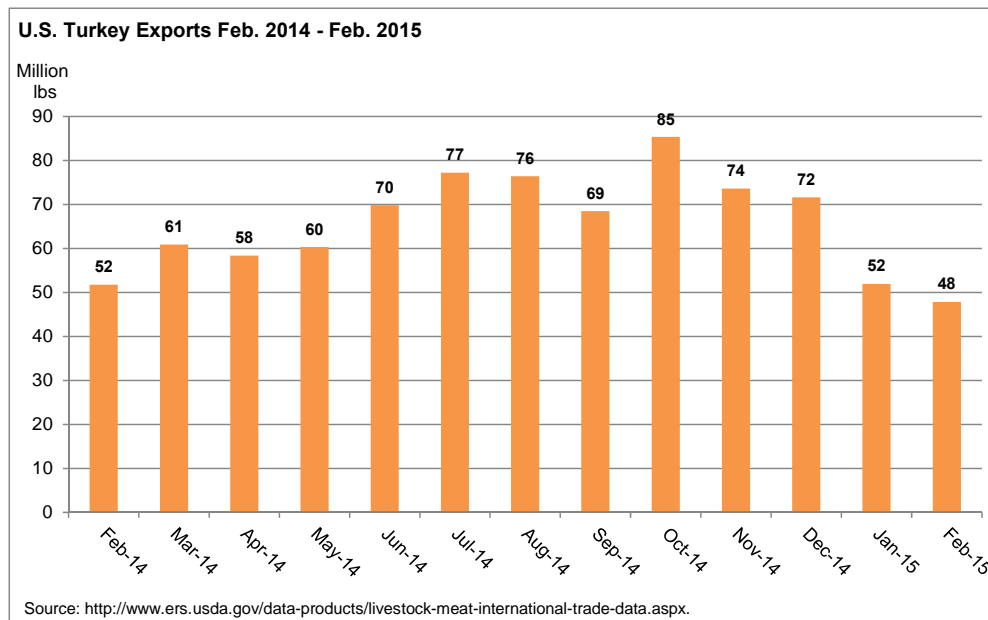
In addition to the continuing effects of Russia's ban on exports, bans by China and South Korea went into effect during January and contributed to the overall decline in broiler exports in the first 2 months of 2015. In 2014, China and South Korea combined represented 5.5 percent of total U.S. broiler shipments. The ban resulted in 25.5 million fewer pounds shipped to the two countries than in February 2014. Some of the losses were countered by gains in other Asian markets. Broiler exports in 2014 were 7.304 billion pounds, and USDA now forecasts 6.680 billion pounds of broiler exports for 2015, a decrease of 8.5 percent compared with 2014. The decline for 2015 reflects the bans in place by Russia, South Korea, and China, as well as the continuing strength of the U.S. dollar. The dollar's high exchange rate is expected to make it more difficult to compete with other exporters and has contributed to lower substitution to other markets than was expected following the HPAI-related bans on U.S. poultry exports.



Turkey Exports Decrease in February

In February, turkey exports totaled 47.8 million pounds, 7.6 percent lower than the previous February. The decrease was mainly due to the continuing effects of China's ban on U.S. poultry exports. The ban resulted in a decline of 3.6 million pounds shipped to China compared with a year earlier, as exports in 2015 were zero. The total decline in turkey exports compared with February 2014 was 3.9 million pounds. China represented 7.6 percent of total U.S. turkey exports in 2014. South Korea's ban had a smaller impact on turkey exports to date as the country represented only 0.7 percent of 2014 exports. Some gains were seen in February, particularly for Hong Kong, whose exports were 60.4 percent higher in February than a year earlier. Mexico remained the largest market for U.S. turkey shipments, with 29.8 million pounds shipped in February, 2.3 percent below a year earlier.

Turkey exports in 2015 are expected to fall to 720 million pounds, a decline of 10.5 percent. The decline is due to Avian Influenza trade restrictions in China and Korea, the strength of the dollar against most currencies, and restrictions on U.S. exports due to HPAI outbreaks in a small number of Minnesota, Missouri, and Arkansas turkey flocks.

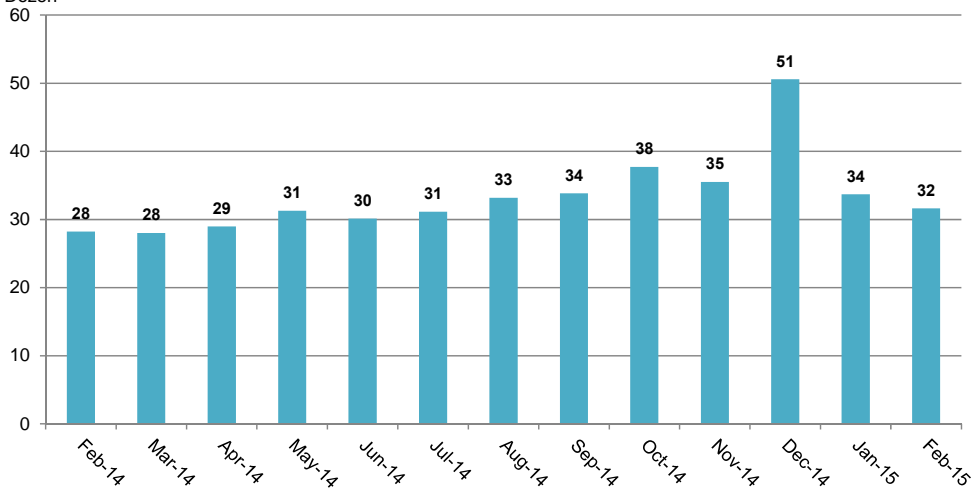


Egg Exports Up in February, Expected Higher in 2015

Total egg exports (shell eggs and egg products) reached the shell egg equivalent of 31.6 million dozen in February, 12.0 percent higher than the previous year. The gains were primarily due to a large increase in exports to Mexico. Shipments to Mexico were 96.8 percent higher in February compared with a year earlier, totaling 13.4 million dozen. The gains to Mexico tempered losses from Canada, which were 20.0 percent less than a year earlier, at 5.6 million dozen. Egg exports in 2015 are expected to total 405 million dozen, or 2.4 percent higher than in 2014. The increase is due to consistent growth in Mexico, which has exceeded 10 million dozen for 3 consecutive months and is currently up by 94.3 percent through February compared with the same period in 2014. As with other U.S. export products, the strength of the U.S. dollar is expected to slightly hamper growth.

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

Million
Dozen



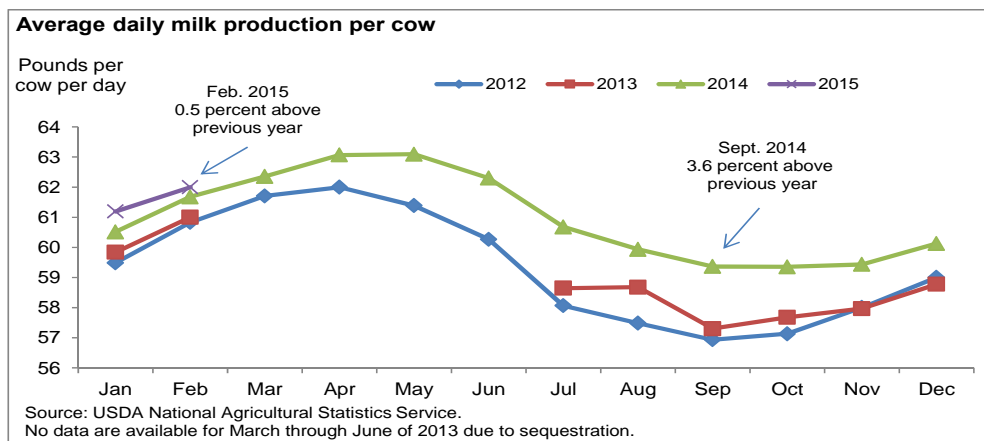
Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>.

Recent Developments in Dairy Markets

Estimated U.S. milk production in February was 1.7 percent higher than in February 2014. Average yield per cow in February was 0.5 percent above the February 2014 level. The year-over-year percentage growth rate in yield per cow has declined each month since September, when it was 3.6 percent above the previous year. In February, the estimated U.S. dairy herd numbered 9.312 million head. While the herd continues to grow, the month-over-month growth rate has been declining. In February, the herd grew by about 3 thousand head over the previous month, less than month-over-month additions of 15 thousand and 10 thousand head in December and January, respectively.

Milk production growth is likely to be moderate in coming months. The milk-feed ratio fell to 2.02 in February, the lowest level for the indicator since September 2013. The impact of the persistent drought in California and other Western areas seems to have increased, with February year-over-year yield per cow in California lower by 3.7 percent. Year-over-year yield per cow in February was also lower for New Mexico, Idaho, Texas, Oregon, and Washington. Even with USDA's assumption of a return to normal weather patterns, low water supplies remain a concern for coming months.

Exports for February remained at relatively low levels compared with their peaks in 2014. The United States has become less competitive in foreign markets as the U.S. dollar has risen against currencies of U.S. dairy export competitors every month since August 2014.¹ In addition, the Russian trade ban² has caused the European Union (EU) to find other dairy export outlets, many in competition with the United States. While U.S. exports of skim milk powder (SMP) and whey products have fallen substantially from the first half of 2014, EU exports of the same products have recently grown to relatively high levels. New Zealand exports of SMP have also reached high levels in recent months.



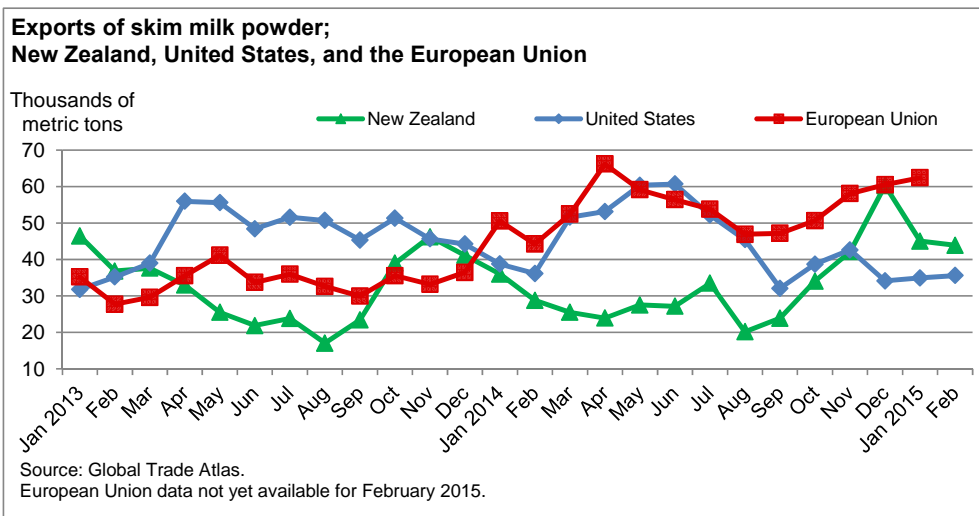
¹ The real monthly dairy trade weighted exchange rate index for U.S. competitors as reported by USDA Economic Research Service has risen from 97.1 in July 2014 to 111.7 in February 2015.

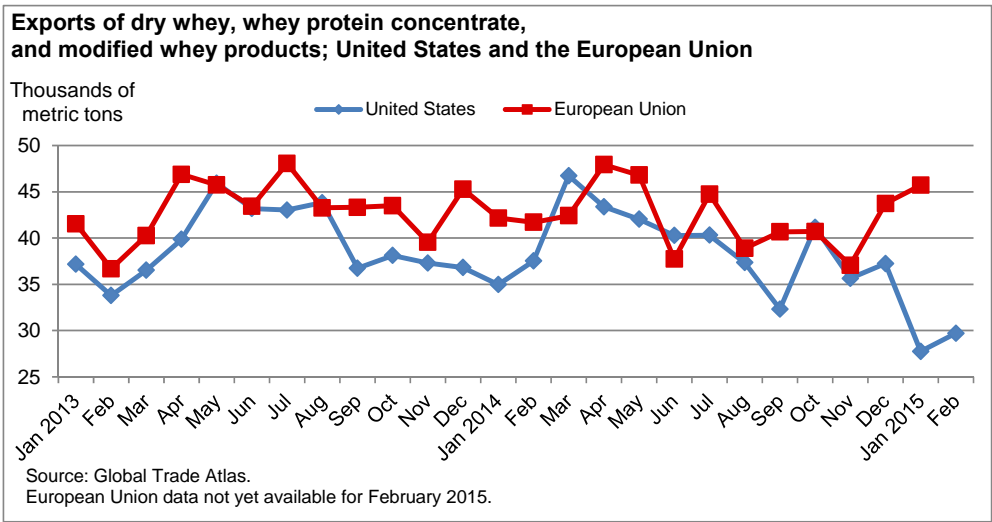
² On August 6, 2014, Russian President Vladimir Putin signed an executive order banning imports of beef, pork, poultry, fruits, vegetables, fish, seafood, cheese, milk, and a variety of other products from the United States, European Union, Canada, Australia, and Norway.

The strong U.S. dollar also has implications for imports. Imports of butter, anhydrous milk fat, and cheese have contributed to relatively high levels of imports on a milk-fat milk-equivalent basis in recent months.

Price directions of major dairy commodities, as reported in the USDA National Dairy Products Sales Report, have been mixed in recent weeks. From the week ending March 7 to the week ending April 4, prices of NDM and dry whey decreased, respectively, from \$1.044 to \$0.996 per pound and 50.2 cents to 46.8 cents per pound. The price of Cheddar cheese 40-pound blocks increased from \$1.558 to \$1.576 per pound, and 500-pound barrels (adjusted to 38-percent moisture) increased from \$1.530 to \$1.573 per pound. The butter price increased from \$1.682 to \$1.697 per pound.

Dairy farmers participating in the Margin Protection Program for Dairy who chose coverage at the maximum margin level will receive small Government payments based on milk and feed prices for January and February. The average milk margin calculated for the program (the all-milk price minus a feed value calculation) for the January-February period was \$7.99554 per cwt. Dairy farmers who chose coverage of \$8.00 per cwt will receive a payment of \$0.00446 per cwt for the selected volume of coverage.





Dairy Forecasts for 2015

Feed price forecasts remain relatively low compared with prices in recent years. The corn price forecast for 2014/15 is \$3.55-\$3.85 per bushel, and the soybean meal price forecast is \$355-\$385 per short ton. Both price forecasts are unchanged from last month at midpoints of the ranges.

With February’s deceleration in the growth rate of milk per cow and the lingering effects of the drought in California and other Western areas, the 2015 milk per cow forecast has been reduced to 22,520 pounds per year, 120 pounds less than forecast last month. Milk cow number forecasts for 2015 are unchanged from last month. Milk production for 2015 is forecast at 210.0 billion pounds, 1.9 percent higher than the 2014 level of 206.0 billion pounds, but 1.1 billion pounds less than forecast last month.

Forecasts for dairy exports have been lowered from those of last month based upon the increasing value of the U.S. dollar, increased global competition, and relatively low exports on a skim-solids basis in January and February. The 2015 export forecasts are 36.5 billion pounds on a skim-solids basis (0.8 billion pounds less) and 10.7 billion pounds on a milk-fat basis (0.1 billion pounds less). With Russia’s ban on imports of dairy products from certain countries scheduled to end in August, exports in the second half of the year are expected to exceed those of the first half. The 2015 import forecast is raised on a milk-fat basis to 4.4 billion pounds (0.3 billion pounds more), but the rounded 2015 import forecast on a skim-solids basis is unchanged at 5.5 billion pounds.

With an improving economy and lower prices in 2015 compared with 2014, growth in domestic demand is expected to be robust in 2015, increasing 2.8 percent on a milk-fat basis and 4.8 percent on a skim-solids basis. Ending stock forecasts for 2015 have been lowered to 11.4 billion pounds on a milk-fat basis (0.1 billion pounds less) and to 12.9 billion pounds on a skim-solids basis (0.1 billion pounds less).

With a lowered outlook for exports on a skim solids basis and recent declines in NDM prices, the NDM price forecast for 2015 has been lowered to \$1.090-\$1.130 per pound. Butter and cheese price forecasts have been raised to \$1.705-\$1.785 and

\$1.625-\$1.675 per pound, respectively, based on recent price movements, the lower milk production forecast, and expected strong demand. Although small quarterly changes have been made to the dry whey price forecasts, the rounded annual forecast remains unchanged at 49.0-52.0 cents per pound.

Based on the higher cheese price forecast, the 2015 Class III milk price forecast has been increased to \$16.20-\$16.70 per hundredweight (cwt). The Class IV milk price forecast has been lowered to \$14.45-\$15.05 per cwt, as the lower forecast for the NDM price more than offsets the higher forecast for the butter price. With offsetting effects of the changes to Class III and Class IV milk price forecasts, the 2015 all-milk price forecast is \$17.10-\$17.60 per cwt, unchanged from last month's forecast at the midpoint of the range.

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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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Dairy Forecasts

	2013	2014					2015				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,221	9,216	9,253	9,270	9,287	9,256	9,315	9,325	9,325	9,330	9,325
Milk per cow (pounds)	21,823	5,536	5,717	5,520	5,487	22,260	5,590	5,780	5,575	5,575	22,520
Milk production (bil. pounds)	201.2	51.0	52.9	51.2	51.0	206.0	52.1	53.9	52.0	52.0	210.0
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	200.3	50.8	52.7	50.9	50.7	205.1	51.8	53.7	51.7	51.8	209.0
Milk fat (bil. pounds milk equiv.)											
Milk marketings	200.3	50.8	52.7	50.9	50.7	205.1	51.8	53.7	51.7	51.8	209.0
Beginning commercial stocks	12.2	11.2	13.0	13.5	12.2	11.2	11.2	13.5	14.6	13.1	11.2
Imports	3.7	0.8	0.8	1.1	1.5	4.3	1.1	1.0	1.0	1.3	4.4
Total supply	216.2	62.8	66.5	65.6	64.5	220.5	64.2	68.1	67.3	66.1	224.6
Commercial exports	12.4	3.9	3.5	2.8	2.3	12.5	2.3	2.6	3.0	2.9	10.7
Ending commercial stocks	11.2	13.0	13.5	12.2	11.2	11.2	13.5	14.6	13.1	11.4	11.4
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	192.6	45.9	49.4	50.6	51.0	196.9	48.4	50.9	51.3	51.9	202.5
Skim solids (bil. pounds milk equiv.)											
Milk marketings	200.3	50.8	52.7	50.9	50.7	205.1	51.8	53.7	51.7	51.8	209.0
Beginning commercial stocks	12.4	11.6	12.7	13.3	12.4	11.6	13.1	14.5	15.8	13.0	13.1
Imports	5.3	1.4	1.2	1.5	1.5	5.6	1.3	1.3	1.3	1.6	5.5
Total supply	217.9	63.8	66.6	65.7	64.6	222.3	66.2	69.4	68.9	66.3	227.6
Commercial exports	38.5	9.8	11.0	9.3	9.1	39.2	8.0	8.9	9.9	9.7	36.5
Ending commercial stocks	11.6	12.7	13.3	12.4	13.1	13.1	14.5	15.8	13.0	12.9	12.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	167.7	41.3	42.3	44.0	42.3	170.0	43.7	44.7	46.0	43.7	178.2
Milk prices (dol./cwt) 1/											
All milk	20.05	24.53	24.23	24.37	22.77	23.98	17.00	16.25	17.10	17.90	17.10
								-16.65	-17.80	-18.90	-17.60
Class III	17.99	22.61	22.75	22.82	21.19	22.34	15.73	15.70	16.55	16.75	16.20
								-16.10	-17.25	-17.75	-16.70
Class IV	19.05	23.14	23.04	23.42	18.75	22.09	13.62	13.95	14.75	15.45	14.45
								-14.45	-15.55	-16.55	-15.05
Product prices (dol./pound) 2/											
Cheddar cheese	1.768	2.213	2.187	2.168	2.053	2.155	1.567	1.590	1.665	1.680	1.625
								-1.630	-1.735	-1.780	-1.675
Dry whey	0.590	0.630	0.677	0.683	0.625	0.654	0.529	0.470	0.485	0.495	0.490
								-0.490	-0.515	-0.525	-0.520
Butter	1.545	1.779	2.053	2.574	2.140	2.136	1.647	1.725	1.770	1.685	1.705
								-1.795	-1.870	-1.815	-1.785
Nonfat dry milk	1.707	2.067	1.920	1.707	1.379	1.768	1.024	1.015	1.090	1.215	1.090
								-1.055	-1.150	-1.285	-1.130

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 "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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