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Outlook

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Livestock, Dairy, and Poultry Outlook

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Meat Production Trimmed in 2013

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Tables will be released on Nov 27, 2012

The next newsletter release is Dec 17, 2012

Approved by the World Agricultural Outlook Board.

Beef/Cattle: Beef packers have reduced slaughter in 2012, but because dressed weights have been higher year-over-year, beef production is down by less than slaughter would indicate. Cattle feeders' and beef packers' poor margins will likely continue until cattle and beef prices reach levels that generate positive margins for both sectors, or until grain prices decline to levels that make cattle feeding profitable enough for packers to achieve positive margins. Currently, retail Choice beef prices continue to struggle to move above $5 per pound.

Beef/Cattle Trade: U.S. beef imports through September were 10 percent above year-earlier levels despite a lower third quarter. Beef exports were 13 percent lower through the third quarter.

Pork/Hogs: Pork production forecasts were lowered slightly to reflect lighter expected hog weights. Nonetheless, fourth-quarter 2012 pork production is forecast 1 percent above the same period last year. Pork production in 2013 is expected to decline by 1.4 percent. Fourth-quarter 2012 hog prices are expected to average about 10 percent below a year ago. In 2013, hog prices are expected to rebound, increasing about 6 percent above average hog prices in 2012. Large 2012 accumulations of pork stocks are likely a reflection of larger year-over-year production and modest increases in export growth.

Poultry: Broiler meat production in fourth-quarter 2012 is forecast at 9.05 billion pounds, about 2 percent higher than a year earlier. Broiler meat production in 2013 is forecast at 36.4 billion pounds, a decrease of 1 percent from 2012. Broiler integrators are not expected to have any incentive to expand production due to the combination of continued high prices for corn and soybean meal and expected relatively modest growth in broiler prices. Turkey meat production in fourth-quarter 2012 is forecast at 1.55 billion pounds, which again would be almost a 4-percent increase from the same period a year earlier. At the end of September, stocks of whole turkeys were estimated at 305 million pounds, up 9 percent from a year earlier. Higher whole bird stocks have placed downward price pressure on their wholesale prices. Table egg production in third-quarter 2012 was 1.67 billion dozen, up 1 percent from the same period in 2011. In September, total egg exports were the equivalent of 33.7 million dozen eggs, an increase of 29 percent from 2011. Much of the growth in egg exports was due to a surge in shell egg shipments to Mexico.

Poultry Trade: September broiler shipments were down while turkey shipments were up from a year ago. Broiler shipments totaled 615.7 million pounds, a decrease of 3.3 percent from September 2011. Turkey shipments totaled 74.1 million pounds, a 26-percent increase from last year.

Sheep/Lamb: Third-quarter 2012 slaughter lamb prices at San Angelo, Texas dropped to their lowest levels since 2009. The rapid reduction in lamb prices is due to both supply and demand components. Production and imports have increased over the same period last year, but issues of overfinished animals appear to be affecting demand. Prices rebounded slightly in October and are expected to strengthen further in the fourth quarter.

Dairy: Feed prices are expected to moderate next year, easing profit pressure on producers, but not enough to engender an expansion in cow numbers. The moderate contraction in herd size is expected to continue in 2013. Export demand for powders remains strong, but export demand for butterfat is weaker. Prices for Class III, Class IV, and all milk will trail 2011 prices both this year and next.

Beef/Cattle

Beef/Cattle:

Despite considerable discussion about shortages of cattle and calves looming for the remainder of 2012, 2013, and beyond, the total number of steers and heifers on feed in feedlots of 1,000 head or more on October 1, 2012 was 2.7 percent below October 2011 (second highest in the last 10 years), but 1.8 percent above October 2010. It was the third highest October 1 inventory of steers and heifers on feed in 1000-plus-head lots (behind 2006 and 2011) and the second highest steer inventory (behind 2006) in the last 10 years. The heifer share of total cattle on feed in 1000-plus-head lots declined in October 2012 to its lowest level since October 2006. The October 2012 inventory of cattle on feed for 120 days or more—either before or after adjusting for those that would normally be on feed for more than 120 days—was the highest October inventory since the series began in December 1995.

Further, beef packers have reduced kills for several weeks in an attempt to pressure fed cattle prices lower and improve their currently negative profit margins. Year-to-date cumulative weekly federally inspected cattle slaughter through November 3, 2012, was 4 percent below both 2011 and 2010 and 2 percent below 2009. Despite the reduced slaughter, heavier dressed weights have resulted in beef production through November 3, 2012, that was not quite 2 percent below same-period in 2011 and 2010.
All of these factors would ordinarily suggest ample supplies of fed cattle through at least the end of 2012, which should lead to lower fed cattle prices. However, fed cattle prices have increased 12 percent from their 2012 low in mid-July and, for the week ending November 3, 2012, were almost 4 percent and 29 percent above prices at the same points in 2011 and 2010. As a result, profit margins for both cattle feeders and beef packers will likely remain poor from now into 2013. Exacerbating the situation further for packers is the decline in byproduct values that began in mid-September.

On the demand side, retail beef prices appear to have reached at least a temporary upper limit, seemingly unable to break much above $5 per pound (Choice beef). Total red meat production for 2012 is projected slightly lower than in 2011, as is per capita disappearance. While poultry per capita disappearance was down during the first half of 2012, it is projected to be down only about 2.4 percent for all of 2012, with total red meat and poultry per capita disappearance down less than 1.5 percent. Relief for either cattle feeders or beef packers looks unlikely over the coming year, except at the expense of one or the other, until higher cattle prices are matched by higher retail beef prices, feeder cattle prices decline, and/or lower corn prices result in feed costs low enough to allow cattle feeding profits. Feeder cattle prices will likely move higher over the longer term as feeder cattle supplies dwindle, reflecting heifer retention for breeding and successively smaller calf crops. Corn prices are not likely to decline much until corn supplies increase significantly, which is not anticipated before harvest begins in fall 2013. How long the apparent $5 per pound ceiling on Choice beef will hold is uncertain, but perhaps beginning with October's Choice beef price of $5.03, the ceiling will likely be solidly exceeded sometime during the last quarter of 2012 or first half of 2013, which should provide some relief for packers. At $4.77, the All-Fresh beef price set a new nominal record in October, reflecting the continuing popularity of ground beef, and will likely help Choice beef break the $5 mark.

Beef/Cattle Trade

Growth in U.S. Beef Imports Moderate in 2012; Exports Constrained

Through the third quarter of 2012, U.S. beef imports were 10 percent above 2011 levels. Despite moderate growth and in light of a tightening domestic supply, the increase in beef imports in 2012 has not been as robust as expected earlier in the year. U.S. beef imports in 2012 have been largely constrained by lower import levels from Canada—13 percent lower year-over-year through the third quarter. Canada has also been the largest beef exporting country to the United States since 2008. Imports from Central America and Argentina were also lower though the third quarter, while import levels from Oceania have largely held their momentum. Imports from Australia and New Zealand were 46 and 6 percent higher than a year-ago. Fourth-quarter beef imports are expected to be nearly 5 percent higher than a year-ago, while total imports for 2012 are forecast at 2.24 billion pounds, or 9 percent higher year-over-year.

U.S. beef exports through the third quarter were 13 percent below a year ago. Excluding Japan, decreases in exports have come from traditionally top U.S. export countries, while exports to destinations in Asia have been primarily higher. Through the third quarter, exports were lower to Canada (-15 percent), Mexico, (-24 percent) and South Korea (-24 percent), and higher to Vietnam (+16 percent) and Hong Kong (+13 percent). Fourth-quarter U.S. exports are forecast at 7 percent below a year ago, while exports for the year are expected to total 2.472 billion pounds, or 11 percent below 2011 levels.

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Hogs/Pork

Pork Production Adjusted Lower on Reduced Dressed Weight Estimates

USDA lowered its pork production forecast for the fourth quarter of 2012 and for all quarters of 2013, as hog producers are likely to market animals at lower weights than initially expected. Feeding margins are expected to tighten compared with last year, pressuring producer returns and encouraging producers to market hogs as rapidly as feasible. Fourth-quarter commercial pork production was lowered by 35 million pounds to 6.25 billion pounds —a reduction of about 0.6 percent—to reflect expected lower dressed weights. For 2013, total commercial pork production was lowered by 60 million pounds to 22.9 billion pounds, a reduction of about 0.3 percent. Producers are expected to market hogs at year-over-year lower weights in the first three quarters of 2013, before dressed weights move to year-over-year higher levels in the fourth quarter as feed prices decline.

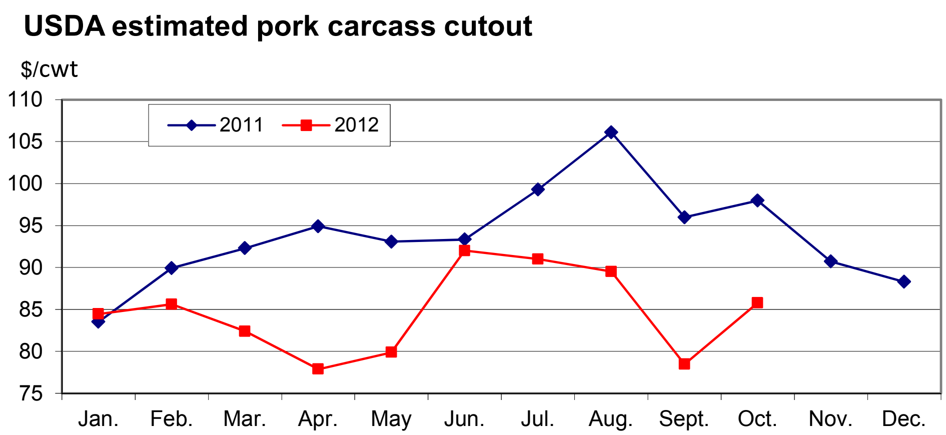
Fourth-quarter average prices of live equivalent 51-52 percent lean hogs are expected to be $57-$59 per cwt. For 2012, then, prices will average $60.73 per cwt. First-quarter 2013 hog prices are forecast at $60-$64 per cwt and at $62-$67 for the year.

Ending Stocks Register Strong Increase…Again

Ending stocks of pork cuts increased to 631 million pounds in September, an increase of 28.5 percent over a year earlier. September's ending stocks increase is the 21st consecutive year-over-year increase in monthly pork ending stocks since December 2010. The jump in September ending stocks follows strong positive year-over-year stocks changes that have averaged almost 22 percent since May. There is some anecdotal evidence suggesting that recent stocks accumulation foreshadows increases in exports. It is more likely, however, that large pork ending stocks in 2012 have been a consequence of low product prices resulting from production increases and slower growth in exports and domestic pork demand. The figure below shows the USDA-estimated pork carcass cutout, a series calculated from wholesale pork prices.

Lower average wholesale pork prices in the first three quarters of 2012 reflect 2 percent larger commercial pork production. Pork exports for 2012 are expected to increase about 5 percent, with most of the increase taking place in the first half of this year with large shipments to China. Second-half pork exports are expected to be lower than a year ago. With fourth-quarter production expected to be 1 percent higher and slowing growth in exports, wholesale prices are likely to remain under pressure.

When 2012 finishes, it is likely that production increases and modest export growth will have left more pork available for domestic consumption. This is a function of stock holding behavior, or the result of weak demand and higher production mentioned earlier. Total 2012 pork disappearance is expected to increase 0.6 percent, the first year-over-year increase since 2009. All else equal, increases in pork available for domestic consumption typically push product prices lower.



September Pork Exports Underwhelming

September pork exports were 434 million pounds, 1.6 percent below a year ago. Strong shipments to NAFTA partners Canada (+9.6 percent) and Mexico (+23.1 percent), and to South Korea were not sufficient to offset pronounced weakness in two important Asian markets: Japan and China. Japan—by far the largest foreign market for U.S. pork—declined almost 11 percent compared with a year ago. Japanese import data suggests that stronger Canadian and Mexican shipments to Japan have, so far in 2012, nibbled away at the U.S. share of the Japanese pork market. U.S. exports to China were off by almost 52 percent in September.

For the third quarter, U.S. pork exports totaled 1.252 billion pounds, down -0.7 percent from the same period last year. The 10 largest foreign destinations for U.S. pork are listed below. Note that combining third-quarter U.S. exports to China and Hong Kong moves them into the position of the third largest foreign market for U.S. pork.

10 largest U.S. pork export markets, third quarter 2012 and 2011

		U.S. exports 2012	U.S. exports 2011	Change: 2012/2011	Share of U.S. exports 2012	Share of U.S. exports 2011
		Million lbs.	Million lbs.	Percent	Percent	Percent
	World	1,252	1,261	-0.72		
1	**Japan**	336	364	-7.75	26.9	28.9
2	**Mexico**	285	241	18.63	22.8	19.1
3	**China/Hong Kong**	174	226	-23.28	13.9	17.9
4	**Canada**	153	135	13.35	12.3	10.7
5	**Russia**	67	65	2.79	5.3	5.1
6	**South Korea**	52	78	-34.00	4.1	6.2
7	**Australia**	46	36	26.53	3.7	2.9
8	**Philippines**	29	24	20.80	2.4	1.9
9	**Colombia**	16	8	96.07	1.3	0.7
10	**Honduras**	14	12	17.36	1.1	0.9

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

Third-Quarter Pork Imports Increase Slightly; Live Imports Lower

Third-quarter imports were 198 million pounds, up 2.3 percent from a year ago. Most of the increase is attributable to higher imports from Mexico, Chile, and a number of E.U. countries. Denmark's exports to the United States were, however, off by 1.8 percent compared with a year ago. U.S. imports of pork and live swine from Canada were both lower in the third quarter; pork imports from Canada were off by -0.4 percent, and 1.4 percent fewer live Canadian swine were imported compared with a year ago.

Poultry

Broiler Production Forecast for Fourth Quarter Increased

Fourth-quarter 2012 broiler meat production is forecast at 9.05 billion pounds, 2 percent higher than a year earlier and slightly above previous estimates. The fourth-quarter 2012 production increase is expected to be driven by a higher number of birds slaughtered since average liveweights are not expected to be much different from the previous year. Over the last several weeks, preliminary data show a higher overall number of broilers slaughtered. The estimate for production in first-quarter 2013 was increased by 30 million pounds to 9 billion, but still 1 percent lower than in first-quarter 2012.

Broiler meat production in third-quarter 2012 was 9.37 billion pounds, down 2 percent from the same period in 2011. The decrease was the result of a 1.9-percent decline in the number of birds slaughtered to 2.15 billion. This was slightly offset by a fractional increase of 0.1 percent in the average live weight at slaughter to 5.82 pounds, compared with third quarter 2011.

Broiler meat production in 2013 is forecast at 36.4 billion pounds, a decrease of 1 percent from 2012, but a slight increase from last month's forecast. In 2013, the decline in broiler meat production is expected to come mainly from fewer birds being slaughtered, as the birds' weights are expected to be close to or slightly higher than in 2012. Broiler integrators are expected to have a slight contraction in production due to the combination of continued high prices for corn and soybean meal and expected relatively modest growth in broiler prices.

The most recent weekly broiler hatchery report indicates a strong divide between the number of chicks recently placed for growout and the level of chicks that may be available in the next several weeks. Over the last 5 weeks (Oct. 6 through Nov. 3), the number of chicks placed for growout averaged 154.4 million, 2 percent higher than in the same period in 2011. Over the last several months this 5-week moving average has changed from being significantly lower than the previous year to becoming higher. However, recent changes in the number of eggs placed in incubators point to a future trend of chick placements being lower than year-earlier levels. Over the last 5 weeks, the number of eggs placed in incubators was 1 percent below the same period in 2011.

Third-Quarter Ending Stocks Lower

With lower broiler meat production in third-quarter 2012 and continued strong exports, cold storage holdings of broiler products at the end of the third quarter of 2012 totaled 624 million pounds, down 2 percent from the previous year, but up 18 million pounds from the end of second-quarter 2012. Cold storage holdings of many broilers parts was vastly different from the previous year, with some moving sharply lower while a few had strong gains. The cold storage holdings of whole birds, breast meat (down 31 percent), thighs (down 23 percent) and thigh meat (down 28 percent) all declined sharply from a year earlier. Partially offsetting these declines were increases in the holdings for legs (up 39 percent) and wings (up 32 percent). Stocks of broiler meat products are expected to decline to 600 million pounds by the end of 2012 and in 2013 are expected to be roughly similar to their 2012 levels throughout the year.

The impacts of somewhat lower overall broiler production and falling stocks of whole birds and breast meat were seen in higher prices for these products. In October, prices for whole birds were just over $0.84 per pound, 14 percent higher than a year earlier. Weekly prices in early November have moved even higher, to around $0.89 per pound. Prices for breast meat products were all stronger in October compared with the previous year. Prices in the Northeast market for boneless/skinless breast meat averaged $1.31 per pound, up over 8 percent from October 2011. Prices for breast meat with ribs and line run breast meat were both over 23 percent higher than the previous year. Leg quarter prices at $0.52 per pound were down slightly from the previous year, but a strong export market has led to relatively steady leg quarter prices so far in 2012. Monthly leg quarter prices in 2012 have remained between $0.49 and $0.53 per pound.

Turkey Production Higher Again in Third Quarter

U.S. turkey meat production in third-quarter 2012 was 1.48 billion pounds, up 4 percent from a year earlier. The increase was due in almost equal parts to an increase in the number of turkeys slaughtered and to gains in the average weight at slaughter. The number of turkeys slaughtered in third-quarter 2012 was 63.5 million, an increase of less than 3 percent from a year earlier; the average weight at slaughter was 29.2 pounds, a gain of just under 1 percent from third-quarter 2011.

Turkey meat production in fourth-quarter 2012 is forecast at 1.55 billion pounds, which again would be a substantial increase from the same period a year earlier, up 3.7 percent. Most of this increase is expected to come from a higher number of turkeys slaughtered, with only small gains in average weights.

Turkey production in 2013 is forecast at 5.79 billion pounds, which would be a decrease of 3 percent from the previous year. The decline in turkey production is expected to come from the combination of high feed prices, larger beginning stocks, and lower year-over-year prices for whole birds in fourth-quarter 2012 and in the first half of 2013.

Relatively strong turkey meat production increases in the second and third quarters (up 2 and 4 percent) boosted cold storage holdings of turkey to 521 million pounds at the end of September, up 2 percent from a year earlier. The growth in overall stocks of turkey products hides a wide disparity in the direction of stocks level changes for whole birds compared with turkey products. Stocks of turkey products totaled 217 million pounds at the end of the third quarter, a decrease of 6 percent from the previous year. This stock decrease has been partly due to strong exports of turkey products, especially in third-quarter 2012. Stocks of whole birds have been moving in the opposite direction--at the end of September, stocks of whole birds were estimated at 305 million pounds, up 9 percent from a year earlier.

Overall turkey cold storage holdings at the end of 2012 are forecast at 250 million pounds, about 18 percent higher than the previous year. As with third-quarter 2012, almost all the increase is expected to come from larger holdings of whole turkeys, with little or no increase in stocks of turkey products.

With higher stocks of whole birds, there has been downward pressure on whole turkey prices. Prices for whole frozen hen turkeys at the wholesale level averaged

$1.09 per pound in third-quarter 2012, only a little over one percent higher than in second-quarter 2012 and 2 percent higher than the previous year. This compares with prices in the first two quarters, which were 12 and 7 percent higher, respectively. Whole turkey prices are expected to average $1.05-$1.09 per pound in fourth-quarter 2012, down several cents from the $1.12 per pound average for fourth-quarter 2011.

Egg Production Higher

Table egg production in third-quarter 2012 was 1.67 billion dozen, up 1 percent from the same period in 2011. On a year-over-year basis, table egg production has risen in the last seven consecutive quarters. During September, the number of table egg layers in production totaled 285 million, an increase of over 1 percent from September 2011. Table egg production is expected to continue to be above the previous year's level in fourth-quarter 2012, with production expected at 1.7 billion dozen, up almost 1 percent from the previous year. Overall table egg production in 2013 is expected to total 6.6 billion dozen, down 1 percent from 2012, as higher feed prices during much of the year are expected to raise costs and put pressure on producers to reduce production.

Hatching egg production in third-quarter 2012 was 256 million dozen, down 4 percent from the same period in 2011. This is the fifth consecutive quarter that hatching egg production has declined on a year-over-year basis. Hatching egg production is expected to total 255 million dozen eggs in fourth-quarter 2012, down 1 percent from the previous year. This reduction is expected to come primarily from lower production of meat-type hatching eggs, as broiler production is expected to be lower in the first three quarters of 2013.

Wholesale table egg prices in third-quarter 2012 averaged $1.32 per dozen, up 12 percent from the previous year. Seasonally strong demand in fourth-quarter 2012 is expected to keep prices at relatively high levels, and the forecast is for prices between $1.29 and $1.33 per dozen. These prices would be close to the $1.31 per dozen that table eggs averaged in fourth-quarter 2011. Prices in 2013 are forecast to average $1.12-$1.21 per dozen, again close to year-earlier levels.

Egg Exports Increase by 15 Percent in Third-Quarter 2012

Egg exports totaled 81.2 million dozen in the third quarter of 2012, 15 percent higher than in the same period in 2011. The total reflects exports of shell eggs and the shell egg equivalent of egg product exports. In September, total egg exports were the equivalent of 33.7 million dozen eggs, an increase of 29 percent from September 2011. Much of the growth was due to a surge in shipments to Mexico. In September, exports to Mexico totaled 11 million dozen, an increase of over 600 percent from the previous year. The surge in exports to Mexico is due to an outbreak of avian influenza in Jalisco, Mexico's largest egg-producing State. Many of the hens exposed to the disease either died or were destroyed, which resulted in a steep decline in egg production.

Most of the increase in U.S. exports to Mexico was the result of greater shipments of shell eggs for consumption, but shipments of egg products also increased. The stronger exports to Mexico are likely to last for several months and then decline as

Mexican egg producers affected by the avian influenza outbreak rebuild their flocks and come back into production.

Total egg exports in September were also boosted by strong exports to Canada (up 62 percent) and Hong Kong (up 15 percent). With higher exports to Mexico expected and continued strong exports to a number of other major importers, fourth-quarter 2012 egg exports are expected to total 80 million eggs, up 22 percent from fourth-quarter 2011.

Poultry Trade

Broiler Shipments Down in September

Broiler shipments in September 2012 totaled 615.7 million pounds, 3.3 percent less than last September. The primary reasons for the drop in September 2012 shipments was the reduction in broiler meat sent to Russia and Hong Kong. Russia imported about 39 percent less broiler meat in September 2012 than it did a year ago. It is expected that Russia will continue to import less broiler meat from the U.S. in coming years, relying more on its domestic poultry industry to supply the needs of the country. Shipments to Hong Kong declined 74 percent this September from last year. One of the major competitors to the U.S. in the Hong Kong market is China, which supplies a relatively steady flow of broiler meat to Hong Kong. While there was a significant drop in recent U.S. broiler shipments to Hong Kong, they are expected to rebound.

Although total broiler shipments were down from a year earlier, there were some large increases in broiler meat exported to specific markets, primarily to Mexico, Kazakhstan, Canada, Taiwan, China, and Georgia. Shipments to Mexico rose 21 percent from the preceding September. Over the same period, U.S. broiler exports to Kazakhstan increased 399 percent, and to Canada, Taiwan, China, and Georgia they increased 29 percent, 58 percent, 48 percent, and 64 percent, respectively.

Turkey Shipments Continue Strong in September

Turkey shipments in September 2012 increased 26 percent from a year earlier. A total of 74.1 million pounds of turkey meat was exported. Mexico accounted for 45 percent (or 33.3 million pounds) of total U.S. exports. The primary driving force behind the surge in turkey shipments was China (Mainland;.shipments to China rose from 6.8 million pounds in September 2011 to 12.2 million pounds a year later, a 79-percent increase. Exports to other turkey markets such as the Philippines, Canada, and South Africa also increased in September 2012. About 2 million pounds more turkey were exported to the Philippines in September. Turkey shipments to Canada and South Africa increased 37 and 36 percent, respectively.

Sheep/Lamb

Lamb Prices Expected To Increase from Third Quarter Lows

Third-quarter 2012 slaughter lamb prices at San Angelo, Texas dropped to their lowest levels since 2009. The rapid reduction in lamb prices is due to both supply and demand components. From the supply side, starting in early spring, weak sales resulted in lambs spending much longer than normal time in feedlots, causing them to become overfinished. These overfinished animals are taking longer than expected to work their way through the system. Third-quarter 2012 Federally Inspected slaughter dressed weights are still well above average, in the range of 72-74 pounds. This has affected the quality of lambs available for market, causing rapid price reductions. The backup in the fed lamb market has spilled over into both the feeder lamb and ewe lamb markets, creating a downward drag on their prices as well. Third-quarter Choice slaughter lamb price at San Angelo, Texas was $89.28 per cwt, down more than $70.00 per cwt from the same period last year. However, October showed some improvement over the previous 2 months, with prices averaging $96.20 per cwt. Fourth-quarter 2012 Choice slaughter lamb prices are expected to show further improvement and are forecast at $103-$107 per cwt. Improved sales during the holiday season are expected to boost lamb prices.

On the demand side, meat demand in the United States is below the previous year's levels. Because lamb is primarily a high-value, higher priced product, it appears to be experiencing a greater than proportionate decline in price than the other meats. Quality issues associated with overfinished animals may be affecting demand and prices as well, because the quantity of older animals available for market this year is higher than in the previous year.

Lamb and mutton production has exhibited little seasonality during 2012. While there are slight variations in monthly production, quarterly production throughout the year averaged 38.6-39.4 million pounds, and third-quarter production was 8 percent above the same period in 2011. Though it is typical for ewe slaughter to increase in the summer and early fall, the proportion of ewes slaughtered appears a bit higher than normal. Fourth-quarter production is also forecast at 39 million pounds, 5 percent above the fourth quarter in 2011.

Third-quarter lamb and mutton imports were also above previous-year levels, increasing 23 percent to 38 million pounds. Though lamb and mutton import quantity increased, its unit value dropped significantly over that of the previous year. In the third quarter of 2011, unit values for imported lamb and mutton averaged $4.83 per pound, while in 2012 third-quarter unit values averaged $3.18 per pound. This reflects the reduction in prices throughout the sheep and lamb sector.

Dairy

Feed Prices Ease but No Production Rebound Is Expected in 2013

Feed price forecasts continue to decline, based on the most recent World Agricultural Supply and Demand Estimates report. The forecast corn price for 2012/13 was lowered to $6.95-$8.25 a bushel in November from October. Slightly higher expected production and an increase in imports support the lower price forecast. Similarly, the soybean meal price was lowered in November to $455-$485 a ton. Soybean production forecasts were raised in October based on higher yield expectations. Late-season rains helped to boost yields. On balance, corn and soybean meal prices will be higher in 2013 than in 2012 despite the small downward revisions in November forecasts from October. According to the October Agricultural Prices report, the preliminary October price for alfalfa was $212 a ton, up slightly from September's estimate and the October 2011 price. Assuming more normal weather in 2013, alfalfa prices could reflect improved yields. Dairy feed ration prices will likely be lower in 2013 than this year, but will remain high by historic standards.

Herd size projections were unchanged this month from October. The U.S. dairy herd is expected to average 9,225 thousand head in 2012 and slip to 9,125 thousand head next year as a result of the profit squeeze experienced by producers this year. Profitability could improve next year but is unlikely to support herd expansion during the year. Current-year yield per cow was increased to 21,640 pounds based on a higher than forecast third-quarter yield reported in the October Milk Production report. Milk per cow is forecast at 21,880 pounds next year, unchanged from October's forecast. Milk production is projected at 199.7 billion pounds in 2012 based on the slightly increased yield per cow; production in 2013 is also forecast at 199.7 billion pounds, unchanged from the October forecast.

Fats basis imports are forecast at 3.8 billion pounds for both this year and next, unchanged from October. Skims-solids basis imports for this year were reduced slightly from last month to 5.8 billion pounds based on lower year-to-date cheese imports. Fats basis exports were reduced in November for both 2012 and 2013 to 9.1 and 8.8 billion pounds, respectively. The export reductions are based on reduced year-to-date and projected butterfat exports. Skims-solids basis exports were raised from October to 33.7 billion pounds for 2012 and to 32.8 billion pounds in 2013, based mostly on projected nonfat dry milk (NDM) and whey product exports.

Commercial ending stocks for 2012 on a fats basis were raised in November as butterfat exports are reduced. Fats basis commercial ending stocks were raised slightly in November for 2013 as higher beginning stocks are worked off over the course of next year. Commercial ending stocks on a skims-solids basis were lowered in November for the current year due to tighter supplies of NDM.
Price forecasts for 2012 were reduced in November for cheese and butter but raised for NDM. Prices for NDM were raised from October based on expected export demand. The cheese price was lowered this month to $1.720-$1.730 per pound for 2012 and was unchanged at $1.735-$1.825 per pound for 2013. Butter price forecasts were lowered to $1.605-$1.635 per pound and to $1.610-$1.730 per pound for 2012 and 2013, respectively. NDM prices are forecast at $1.315-$1.335 per pound in 2012 and $1.420-$1.490 per pound in 2013. Whey prices are projected at

58.5-59.5 cents per pound this year, unchanged from October, and raised from last month to 59.5-62.5 cents per pound for 2013.

The Class III price forecast was unchanged this month from October at $17.55-$17.65 per cwt and raised for 2013 to $17.85-$18.75 per cwt based on higher whey prices. The Class IV price was lowered for 2012 based on lower butter prices to $15.95-$16.15 per cwt but raised in 2013 to $16.90-$17.90 per cwt due to higher forecast NDM prices next year. The all milk price is unchanged from October at $18.50-$18.60 per cwt but raised for 2013 to $19.10-$20.00 per cwt.

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Data Products

Meat Price Spreads, http://www.ers.usda.gov/data-products/meat-price-spreads.aspx, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

Related Websites

Livestock, Dairy, and Poultry Outlook,
http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx
Animal Production and Marketing Issues,
http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx
Cattle, http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx
Dairy, http://www.ers.usda.gov/topics/animal-products/dairy.aspx
Hogs, http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx
Poultry and Eggs, http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx
WASDE,
http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194

E-mail Notification

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• Receive timely notification (soon after the report is posted on the web) via USDA's Economics, Statistics and Market Information System (which is housed at Cornell University's Mann Library). Go to http://usda.mannlib.cornell.edu/MannUsda/aboutEmailService.do and follow the instructions to receive e-mail notices about ERS, Agricultural Marketing Service, National Agricultural Statistics Service, and World Agricultural Outlook Board products.

• Receive weekly notification (on Friday afternoon) via the ERS website. Go to http://www.ers.usda.gov/subscribe-to-ers-e-newsletters.aspx and follow the instructions to receive notices about ERS outlook reports, Amber Waves magazine, and other reports and data products on specific topics. ERS also offers RSS (really simple syndication) feeds for all ERS products. Go to http://www.ers.usda.gov/rss/ to get started.

U.S. red meat and poultry forecasts

	2010					2011					2012					2013			
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Production, million lb																			
Beef	6,248	6,546	6,768	6,741	26,305	6,410	6,559	6,736	6,490	26,195	6,283	6,475	6,584	**6,245**	**25,587**	**6,075**	**6,255**	**6,220**	**24,520**
Pork	5,607	5,302	5,401	6,126	22,437	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	**6,250**	**23,258**	**5,820**	**5,455**	**5,545**	**22,940**
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	39	39	39	**39**	**156**	**38**	**38**	**37**	**151**
Broilers	8,733	9,198	9,496	9,484	36,910	9,290	9,509	9,542	8,860	37,201	9,090	9,377	9,372	**9,050**	**36,889**	**9,000**	**9,035**	**9,135**	**36,445**
Turkeys	1,340	1,383	1,415	1,506	5,644	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	**1,550**	**5,981**	**1,390**	**1,450**	**1,410**	**5,790**
Total red meat & poultry	22,122	22,626	23,291	24,058	92,097	23,011	23,113	23,396	23,225	92,745	22,868	23,083	23,272	**23,281**	**92,504**	**22,470**	**22,397**	**22,511**	**90,477**
Table eggs, mil. doz.	1,610	1,626	1,645	1,666	6,547	1,624	1,634	1,646	1,686	6,590	1,653	1,642	1,667	**1,700**	**6,662**	**1,625**	**1,640**	**1,645**	**6,585**
Per capita disappearance, retail lb 2/																			
Beef	14.6	15.1	15.3	14.6	59.6	14.1	14.6	14.7	14.0	57.3	14.0	14.7	14.5	**13.6**	**56.8**	**13.7**	**13.9**	**13.8**	**54.8**
Pork	11.8	11.4	11.7	12.8	47.8	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	**12.4**	**45.7**	**11.4**	**10.8**	**11.1**	**44.9**
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	**0.2**	**0.8**	**0.2**	**0.2**	**0.2**	**0.8**
Broilers	20.1	20.5	21.4	20.4	82.4	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	**19.6**	**80.3**	**19.7**	**19.6**	**19.6**	**79.0**
Turkeys	3.5	3.6	4.1	5.2	16.4	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	**5.1**	**16.3**	**3.5**	**3.6**	**3.7**	**16.0**
Total red meat & poultry	50.7	51.2	53.3	53.7	208.9	51.3	51.3	51.0	51.0	204.6	49.3	50.3	50.6	**51.4**	**201.7**	**49.0**	**48.6**	**48.8**	**197.3**
Eggs, number	61.5	61.4	62.2	62.8	247.9	61.1	61.3	62.2	63.1	247.6	62.1	60.8	61.8	**62.7**	**247.5**	**60.6**	**60.9**	**61.1**	**244.4**
Market prices																			
Choice steers, 5-area Direct, $/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	114.73	125.29	121.91	119.69	**122-126**	**122.47**	**120-128**	**121-131**	**125-135**	**123-133**
Feeder steers, Ok City, $/cwt	98.73	112.65	112.29	113.55	109.31	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	**138-142**	**145.54**	**138-146**	**139-149**	**144-154**	**143-153**
Cutter Cows, National L.E., $/cwt	51.79	58.79	58.90	54.93	56.10	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	**73-75**	**77.76**	**73-79**	**79-83**	**79-83**	**77-83**
Choice slaughter lambs, San Angelo, $/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	**103-108**	**116.67**	**107-102**	**100-110**	**100-110**	**102-112**
Barrows & gilts, N. base, l.e. $/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	**58-60**	**60.98**	**60-64**	**65-71**	**65-71**	**62-67**
Broilers, 12 City, cents/lb	82.20	85.00	84.50	80.00	82.90	77.90	82.60	78.80	76.80	79.00	87.20	85.9	82.7	**84-86**	**85.2**	**85-91**	**86-94**	**85-93**	**85-92**
Turkeys, Eastern, cents/lb	75.60	84.40	97.90	103.70	90.40	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	**105-109**	**105.8**	**95-101**	**100-108**	**104-112**	**101-109**
Eggs, New York, cents/doz.	126.00	82.80	93.10	123.20	106.30	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	**129-133**	**117.8**	**119-127**	**106-114**	**104-112**	**112-121**
U.S. trade, million lb																			
Beef & veal exports	478	585	590	646	2,299	633	702	766	683	2,785	558	625	651	**635**	**2,469**	**595**	**650**	**630**	**2,450**
Beef & veal imports	573	690	598	436	2,297	461	593	548	454	2,057	582	669	516	**475**	**2,242**	**640**	**695**	**670**	**2,620**
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	37	38	38	**41**	**154**	**45**	**40**	**35**	**165**
Pork exports	1,046	1,081	951	1,146	4,224	1,248	1,200	1,261	1,481	5,189	1,444	1,302	1,252	**1,450**	**5,448**	**1,400**	**1,325**	**1,260**	**5,445**
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	**210**	**806**	**205**	**195**	**200**	**800**
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,527	1,588	1,978	1,879	6,971	1,737	1,791	1,867	**1,800**	**7,195**	**1,725**	**1,700**	**1,825**	**7,050**
Turkey exports	114	136	158	174	582	159	171	173	199	703	181	185	216	**195**	**777**	**170**	**170**	**175**	**690**
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	1,508	5,795	1,441	1,444	1,387	**1,445**	**5,717**	**1,375**	**1,350**	**1,350**	**5,530**

1/ Forecasts are in bold.

2/ Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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Dairy Forecasts

	2011			2012					2013			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,200	9,216	9,194	9,254	9,257	9,215	9,180	9,225	9,145	9,135	9,125	9,125
Milk per cow (pounds)	5,292	5,279	21,346	5,513	5,562	5,287	5,280	21,640	5,430	5,610	5,425	21,880
Milk production (bil. pounds)	48.7	48.7	196.2	51.0	51.5	48.7	48.5	199.7	49.7	51.2	49.5	199.7
Farm use	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	1.0
Milk marketings	48.4	48.4	195.3	50.8	51.2	48.5	48.2	198.7	49.4	51.0	49.3	198.7
Milkfat (bil. pounds milk equiv.)												
Milk marketings	48.4	48.4	195.3	50.8	51.2	48.5	48.2	198.7	49.4	51.0	49.3	198.7
Beginning commercial stocks	13.2	12.3	10.8	10.9	13.3	14.3	12.8	10.9	11.1	12.8	14.8	11.1
Imports	0.8	1.2	3.5	0.9	0.9	1.0	1.0	3.8	0.9	0.9	0.9	3.8
Total supply	62.4	62.0	209.6	62.5	65.4	63.8	62.1	213.4	61.4	64.7	65.0	213.6
Commercial exports	2.2	2.1	9.4	2.2	2.8	2.0	2.1	9.1	2.1	2.2	2.3	8.8
Ending commercial stocks	12.3	10.9	10.9	13.3	14.3	12.8	11.1	11.1	12.8	14.8	13.6	11.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	47.9	49.0	189.2	47.1	48.3	49.0	48.9	193.2	46.5	47.7	49.0	193.8
Skim solids (bil. pounds milk equiv.)												
Milk marketings	48.4	48.4	195.3	50.8	51.2	48.5	48.2	198.7	49.4	51.0	49.3	198.7
Beginning commercial stocks	12.7	12.2	12.2	11.8	12.5	12.2	11.3	11.8	10.9	11.5	12.0	10.9
Imports	1.3	1.4	5.3	1.4	1.4	1.5	1.5	5.8	1.4	1.3	1.3	5.4
Total supply	62.4	62.0	212.7	64.0	65.2	62.1	61.0	216.3	61.7	63.8	62.6	215.0
Commercial exports	8.3	8.2	32.5	8.3	9.0	8.4	8.0	33.7	8.1	8.2	8.3	32.8
Ending commercial stocks	12.2	11.8	11.8	12.5	12.2	11.3	10.9	10.9	11.5	12.0	11.9	11.5
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.9	42.0	168.3	43.2	44.0	42.4	42.1	171.7	42.0	43.6	42.4	170.6
Milk prices (dol./cwt) 1/												
All milk	21.67	20.07	20.14	17.97	16.40	18.20	21.50 -21.80	18.50 -18.60	20.55 -21.15	19.10 -20.00	18.40 -19.40	19.10 -20.00
Class III	20.71	18.62	18.37	16.28	15.53	17.80	20.65 -20.95	17.55 -17.65	19.25 -19.85	18.00 -18.90	17.35 -18.35	17.85 -18.75
Class IV	20.00	17.72	19.04	15.94	13.86	15.87	18.40 -18.80	15.95 -16.15	17.65 -18.35	16.85 -17.85	16.55 -17.65	16.90 -17.90
Product prices (dol./pound) 2/												
Cheddar cheese	2.041	1.799	1.825	1.559	1.547	1.773	2.010 -2.040	1.720 -1.730	1.870 -1.930	1.755 -1.845	1.690 -1.790	1.735 -1.825
Dry whey	0.570	0.636	0.533	0.646	0.544	0.541	0.615 -0.635	0.585 -0.595	0.605 -0.635	0.595 -0.625	0.595 -0.625	0.595 -0.625
Butter	2.030	1.728	1.950	1.499	1.409	1.684	1.860 -1.920	1.605 -1.635	1.735 -1.825	1.610 -1.730	1.545 -1.675	1.610 -1.730
Nonfat dry milk	1.578	1.461	1.506	1.368	1.170	1.269	1.470 -1.500	1.315 -1.335	1.445 -1.495	1.415 -1.485	1.415 -1.485	1.420 -1.490

1/ Simple averages of monthly prices. May not match reported annual averages.
2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. ' Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm

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