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Situation and Outlook

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Livestock, Dairy, and Poultry Outlook

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Asia and NAFTA Countries Account for the Majority of 2017 U.S Red Meat, Poultry, Egg, and Dairy Exports

Latest available trade data totals for 2017 show that exported U.S. red meat, poultry, egg, and dairy products went mostly to Asia and NAFTA countries. Additional export shares were accounted for by Central/South America and the Caribbean (CSA&C) and the EU, with the balance attributed to the aggregate "Rest of World" (ROW). For the U.S. beef sector, exported volumes went to Asia (66 percent), Mexico (15 percent), Canada (11 percent), and CSA&C (5 percent), with 2 percent each to the EU and ROW. For pork exports, Asia accounted for 43 percent, Mexico 32 percent, Canada 9 percent, CSA&C for 11 percent, and ROW for 4 percent. The largest destination for U.S.-exported lamb and mutton was CSA&C (37 percent), followed closely by Mexico (34 percent) and then by Canada (10 percent), Asia (8 percent), ROW (7 percent), and the EU (4 percent). The largest share of broiler exports—33 percent—went to ROW, 79 percent of them comprising exports to Africa and Middle Eastern countries. CSA&C accounted for 25 percent of broiler exports, Mexico for 20 percent, Asia for 18 percent, and Canada for 5 percent. The majority of turkey exports, 62 percent, went to Mexico. CSA&C countries took 17 percent, Asia accounted for 11 percent, Canada took 2 percent, and 8 percent went to ROW. The largest destination for U.S. egg exports was Asia (33 percent), followed by Mexico (23 percent), Canada (19 percent), CSA&C (12 percent), ROW (7 percent) and the EU with 6 percent. Fifty percent of U.S. dairy exports went to Asia and 25 percent to Mexico. The ROW category accounted for 12 percent, CSA&C for 8 percent, Canada for 4 percent, and the E.U for 1 percent.

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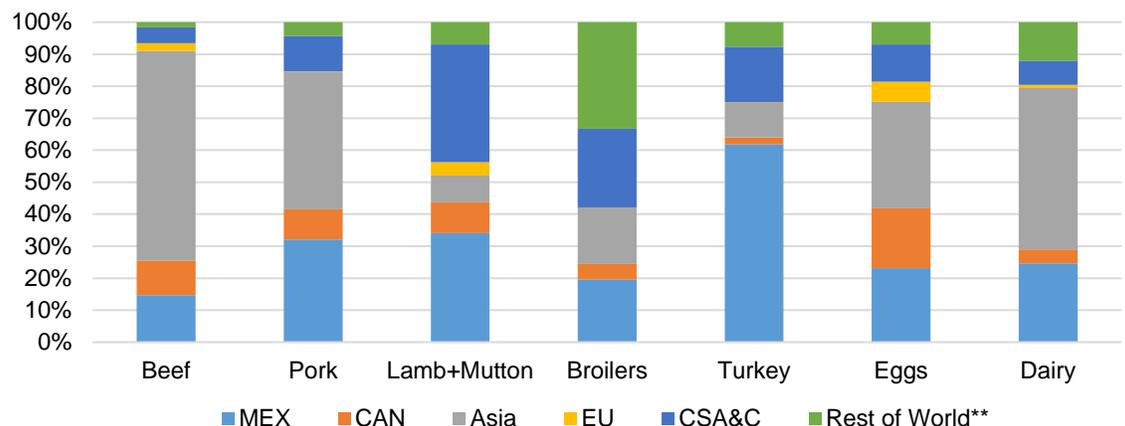
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Tables will be released on February 27, 2018

The next Outlook Report release is March 14, 2018

Approved by the World Agricultural Outlook Board.

Primary destination shares for 2017 volumes of exported U.S. red meat, poultry, eggs, and dairy*



Source: Economic Research Service, USDA.

*Shares for dairy are provided on a skim-solids milk-equivalent basis.

** Shares may not sum to 100 due to rounding. CSA&C = Central/South America and the Caribbean.

Cattle/Beef: A large portion of the U.S. cattle inventory is in an area experiencing drought, which is likely affecting the timing of placements of feeder cattle in feedlots. As a result of higher late-2017 placements and relatively slower growth in the 2017 calf crop, the forecast for 2018 commercial beef production was lowered from last month to 27.7 billion pounds. This reflects anticipation of fewer cattle to be placed in feedlots in the first half of the year and marketed in the second half, although it is largely offset by the first-half marketing of cattle placed in late-2017. Based on continued strength in overseas demand, the 2018 beef export forecast was revised upward, following double-digit growth in 2017.

Dairy: Due to recent price movements and relatively weak expected domestic demand, the 2018 all-milk price forecast has been lowered to \$15.70-\$16.40 per cwt, a reduction from \$15.80-\$16.60 forecast last month. Due to lower-than-expected milk per cow in the fourth quarter of 2017, lower projected milk prices, and higher expected feed prices, the 2018 milk production forecast has been lowered to 218.7 billion pounds, 0.1 billion pounds less than last month's forecast. The U.S. is expected to be competitive in international markets, especially on a skim-solids milk-equivalent basis. As a result, the 2018 forecast for exports on a skim-solids basis has been raised to 42.5 billion pounds, 0.5 billion more than last month's forecast. Domestic use forecasts have been lowered on both milk-fat and skim-solids milk-equivalent bases by 0.2 billion and 0.8 billion pounds, respectively.

Pork/Hogs: January was characterized by lower processor margins, due to generally higher hog prices likely brought about by competition from expanded processing capacity. Pork production in the first quarter of 2018 is expected to be about 6.6 billion pounds, almost 3 percent above a year earlier. Pork exports in 2017, 5.6 billion pounds, were 7.5 percent larger than exports in 2016. Exports in 2018 are expected to be 5.9 billion pounds, almost 5 percent higher than 2017 volumes.

Sheep/Lamb: The sheep inventory registered a fractional decline, with 20,000 fewer animals than last year. While the NASS *Sheep and Goats* report shows 25,000 more market lambs on January 1, 2018, than in the same period last year, the 40,000-drop in breeding sheep inventory is likely to create headwinds for the industry. Production for 2018 is forecast to show little change, and domestic consumption is likely to be supplemented by slightly higher imports. Ongoing tight supplies of lamb and mutton in the domestic market are likely to limit export growth potential, but full-year 2018 exports are forecast to increase by 36 percent over 2017.

Poultry: Broiler production and weights were up again in December, contributing to higher projected production, while recent price data resulted in a slightly higher price projection. Table egg production resumed its small but important contraction in December, and exports had strong growth. Recent price surges contributed to raised price projections. Initial estimates for 2017 annual turkey production were lower than 2016. With prices remaining well below historic averages, 2018 production is anticipated to decrease slightly as well.

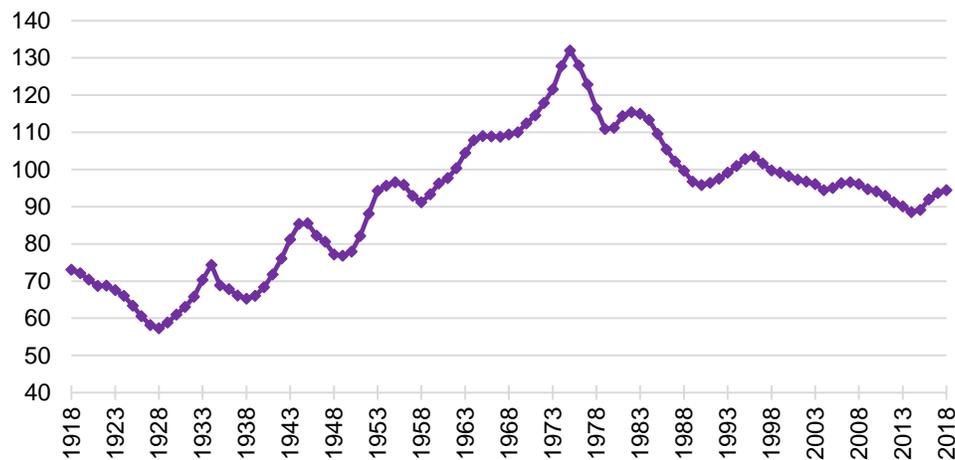
Cattle / Beef

Cattle Report Shows Slower Rate of Expansion for U.S. Herd

The USDA National Agricultural Statistics Service (NASS) released its semi-annual *Cattle* report. The number of cattle and calves estimated on January 1, 2018, reached 94.4 million head, which was 0.7 percent higher year over year and the fourth year of expansion. Compared to last year, cow-calf producers are indicating their intentions to retain 237,000 fewer beef heifers (-3.7 percent) for breeding in their herds. Overall, the U.S. herd is still relatively low, down from its all-time peak of 132.0 million in 1975 and up from its recent low of 88.5 million head in 2014, and has expanded at a slower pace. The report also included a number of revisions to the January 1, 2017, inventory classes. The January 2017 cattle and calf inventory was 93.7 million head, which showed 1.9 percent growth from 2016, whereas the inventory grew 3.1 percent from 2015 to 2016. In addition, the 2017 calf crop was revised downward by 492,000 head from the July 1 *Cattle* report to 35.8 million calves.

Cattle inventory, including calves, on January 1

Million head

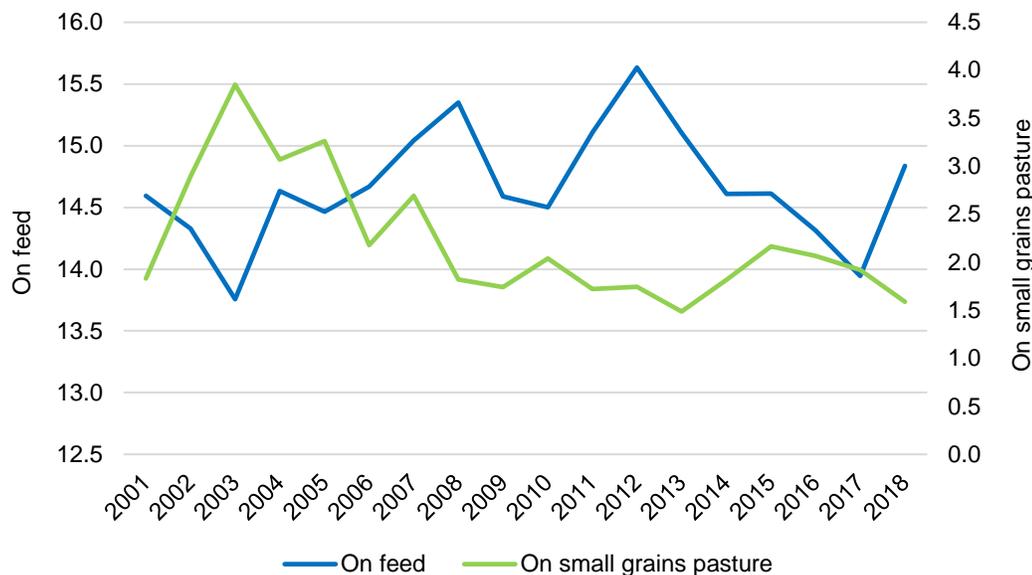


Source: USDA National Agricultural Statistics Service.

The *Cattle* report also indicated fewer cattle on small grains pastures than in 2017. The estimate of 1.5 million head on small grains pastures on January 1, 2018, was 16.7 percent below the 1.8 million head reported last year. This level of small grains pasturing is likely, in part, reflecting drought conditions in the Southern Plains¹. To a degree, it likely bolstered the number of cattle on feed in all U.S. feedlots, which was up by 939,000 head (+7.2 percent) to 14.0 million head on January 1 from last year. As illustrated in the chart below, though the percent of total cattle inventory on small grains pastures showed some recovery from the 2011-2012 drought, it has begun to decline in recent years. Further, as a result of some cattle likely moving from pastures to feedlots, the number of cattle available to place in feedlots in 2018 was 2.3 percent (447,000 head) lower than last year (see table below).

¹ U.S. Drought Monitor on February 6, 2018, <http://droughtmonitor.unl.edu>

Percent of total cattle inventory on feed and on small grains pasture on January 1



Source: USDA, National Agricultural Statistics Service; Calculations: USDA Economic Research Service (ERS).

Feeder cattle supply outside feedlots 1/						Percent change from prior year
Item	2014	2015	2016	2017	2018	
On farms Jan 1:	---- 1,000 head ----					
Calves < 500 lbs	13,558	13,534	14,077	14,386	14,427	0.28
Steers over 500 lbs	15,668	15,630	16,315	16,384	16,352	-0.19
Heifers over 500 lbs 2/	8,869	8,464	8,753	9,010	9,332	3.58
Total	38,095	37,628	39,145	39,780	40,112	0.83
On feed Jan 1 3/	12,933	13,025	13,157	13,067	14,006	7.19
Feeder cattle outside feedlots on Jan 1 4/	25,162	24,603	25,988	26,552	26,105	-2.27

Source: USDA National Agricultural Statistics Service; Calculated variables from USDA Economic Research Service..

1/ 1995-1997 data revised to incorporate July 1 U.S. and 12-State-on-feed-data.

2/ Not including heifers for cow herd replacement. 3/ Estimated U.S. steers and heifers.

4/ Numbers may not add due to rounding.

Demand Strength To Continue in First Half of 2018

Despite 1 less slaughter day in the calendar year, the NASS *Livestock Slaughter* report indicated that 2017 beef production increased 3.8 percent year over year to 26.2 billion pounds. The forecast for 2018 beef production was revised downward by 35 million pounds to 27.7 billion pounds, but remains nearly 6 percent higher than 2017. This change reflects lighter anticipated placements and fewer steers and heifers slaughtered in 2018.

This winter, there are roughly 300,000 fewer cattle on small grains pastures compared to last year. More cattle were placed in feedlots during the fourth quarter of 2017, according to the January NASS *Cattle on Feed* report. Some of these cattle may have normally

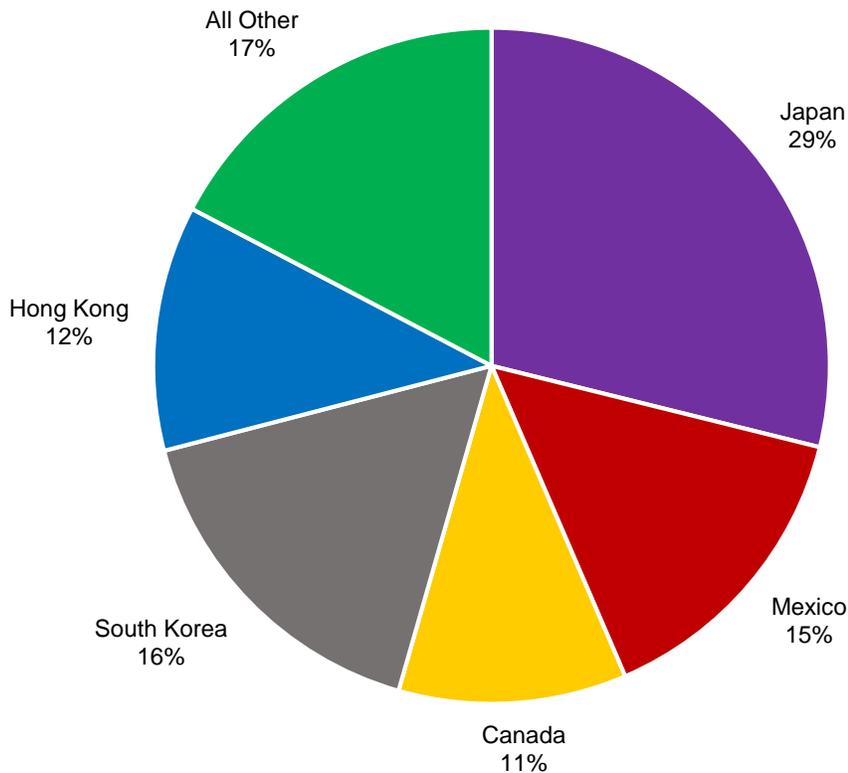
been grazed on winter pasture, and to the extent they were placed earlier, some that were expected to be slaughtered in second-half 2018 are now anticipated to be slaughtered in the first half. In a typical graze-out period, more cattle would be placed on feed late in the first quarter and marketed in the second half of the year. The timing and weight of placements in the coming months will increasingly depend on precipitation in the Southern Plains.

Despite higher cattle slaughter and beef production during January 2018 relative to January 2017, wholesale beef prices climbed above 2017. With packers' margins above 2017 in early 2018, January fed steer prices also averaged above year-earlier levels. On expectations of continued demand strength, fed steer price forecasts for the first and second quarters were raised to \$122.00-\$126.00 per hundredweight (cwt) and \$117.00-\$125.00/cwt, respectively. Although first-quarter fed steer prices are expected to average above 2017, second-quarter prices could be pressured by marketings. The 2018 quarterly price forecasts for feeder steers were left unchanged.

2017 Beef Export Volume Largest Ever; Second Consecutive Year of Double-Digit Growth

In 2017, U.S. beef exports increased 306 million pounds (+12 percent) year-over-year to 2.9 billion pounds. This is the second consecutive year of double-digit export growth, with volumes reaching record levels. Sustained demand in Asian markets contributed to these volumes, with double-digit growth to Japan (26 percent) and Hong Kong (14 percent). The top five export destinations captured about 83 percent of all U.S. beef exports (see chart below).

2017 U.S. Beef exports Share to Top Five Destinations

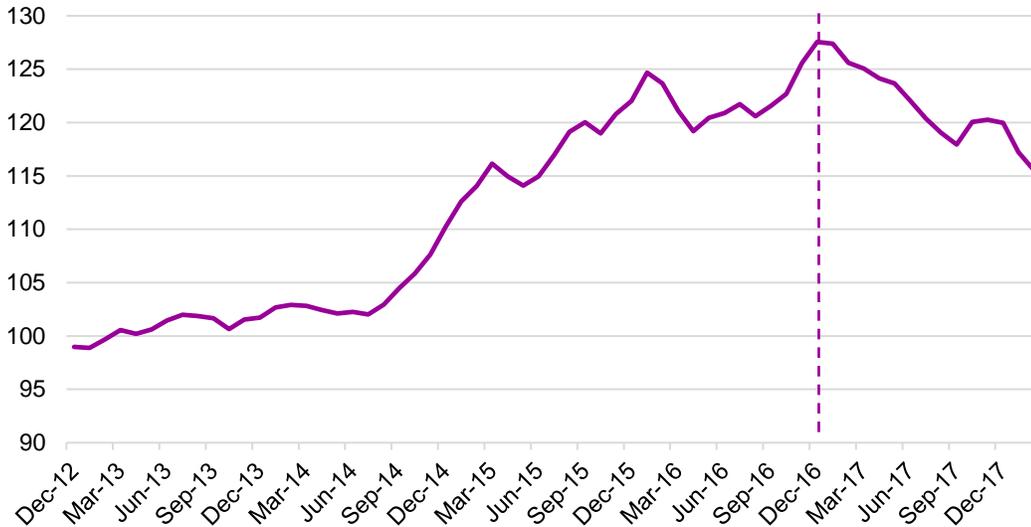


Source: USDA, ERS.

The forecast for 2018 beef exports was revised upward by 40 million pounds from the previous month's forecast to 3.0 billion pounds based on continuing strong demand in overseas markets and the weakening of the U.S. dollar in the beginning of 2018 (see chart

below). The U.S. dollar trade index has dropped to the lowest level since June 2015, making U.S. products more attractive in foreign markets. Reflecting a continued tightness of beef availability from Oceania, increased U.S. shipments are expected to go mainly to Asian markets.

Trade-weighted U.S. dollar index*: Broad, index Jan. 1997=100, monthly, not seasonally adjusted

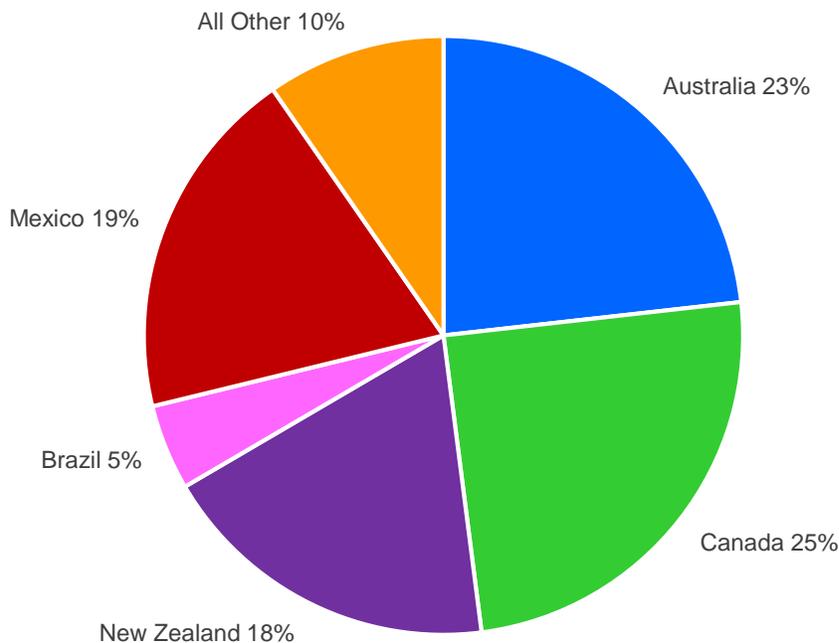


Source: Board of Governors of the Federal Reserve System of the United States.
 *The trade-weighted US dollar index is a measure of the value of the United States dollar relative to major trading partner's currencies.

U.S. Beef Imports Slightly Down in 2017

Beef imports in 2017 were down slightly (-20.3 million pounds) from year-earlier levels to just under 3.0 billion pounds. Lower than expected beef imports reflect tighter beef supplies from Oceania due to prolonged drought and continued herd rebuilding. Some of the decline in lean beef imports was offset by higher U.S. cow slaughter. U.S. reductions in imports were from Australia (-71.9 million pounds), New Zealand (-55.5 million pounds), and Brazil (-14.3 million pounds), while there were increases from Mexico (+80 million pounds), Canada (+23 million pounds), and Nicaragua (+22 million pounds). Overall, five countries supplied more than 90 percent of the U.S. beef import supply (see chart below). The import forecast for 2018 is unchanged from the previous month.

2017 U.S. Beef Imports Share from Top Five Suppliers



Source: USDA, ERS.

Cattle Export Growth in 2018 To Continue

Cattle exports in 2017 more than doubled from 2016 levels to 192,984 head, mainly due to increased exports to Canada. Exports to Canada were more than double from 2016 in each month of 2017, resulting in a 289-percent increase from 37,340 head in 2016 to 145,284 head in 2017. The relative weakening of the trade-weighted U.S. dollar and higher feeder cattle prices in Canada relative to the United States during October and November supported greater U.S. shipments to Canada. Exports to Mexico were only slightly higher in 2017 from the previous year. U.S. cattle shipments to other destinations, mainly Turkey, Vietnam, and Qatar, increased fourfold above year-earlier levels to 17,981 head (up by 14,479 head) in 2017. Based on the strong pace of exports during the end of the year and the weakening of the U.S. dollar in the beginning of 2018, the 2018 cattle export forecast was increased by 10,000 head from January's forecast to 200,000 head.

U.S. cattle imports in 2017 totaled 1.8 million head, up 97,681 head (+5.7 percent) from the previous year. The 16-percent decline from Canada (-122,466 head) was outweighed by a year-over-year 23-percent increase in imports from Mexico (+220,150 head). Higher feeder cattle prices in the U.S. during late-spring and summer 2017, along with an increased cattle supply in Mexico, likely increased Mexican shipments. The 2018 cattle import forecast is unchanged from the previous month's forecast.

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Recap of the 2017 Dairy Industry Situation

The simple average all-milk price rose from \$16.30 per cwt in 2016 to \$17.63 in 2017. The lower average price in 2016 was due to relatively low prices at the beginning of that year. The all-milk price in the first quarter of 2017 was \$18.23 per cwt. It fell to \$16.83 in the second quarter, but then rose to \$17.70 and \$17.73 in the third and fourth quarters of 2017, respectively. Annual average prices of butter, cheese, nonfat dry milk (NDM), and dry whey all increased from 2016 to 2017.

Milk production continued growing throughout 2017, increasing 1.7 percent over the previous year (adjusted for leap year). Milk cows numbered 9.392 million head, on average, an increase of 64,000 from 2016. Milk per cow was 22,937 pounds in 2017, 1.0 percent higher than 2016 (adjusted for leap year). The year-over-year growth rate in yield per cow decreased through the year. In the first quarter, it was 1.6 percent over the first quarter of 2016 (adjusted for leap year). In the second, third, and fourth quarters, the year-over-year growth rate decreased to 1.0, 0.9, and 0.5 percent, respectively. Along with higher milk prices through most of 2017, relatively low feed prices contributed to the increase in milk production for the year. Average calendar-year prices for corn, soybean meal, and alfalfa hay were \$3.36 per bushel, \$316 per short ton, and \$145.33 per short ton, respectively. The milk-feed ratio averaged 2.42 for the year, an increase from 2.26 in 2016.

Relatively strong global demand for products appears to have contributed to the rise of prices in 2017, especially for products with high milk-fat content. Consumer perceptions of butterfat have changed in recent years as several studies have indicated possible lower risks of consuming butterfat and detrimental effects of alternative trans fats. The Oceania export price for butter rose from \$1.49 in 2016 to \$2.43 per pound in 2017, and the Western Europe price rose from \$1.60 to \$2.69 per pound. The U.S. domestic price increase was not as large, from \$2.08 per pound in 2016 to \$2.33 per pound in 2017. The strength in global demand for milk fat has resulted in a global surplus of skim solids. At the end of 2017, the European Union (EU) held 833 million pounds of skim milk powder in public storage from its intervention program. Most of the stocks were more than a year old.

Higher global demand and U.S. price competitiveness translated into higher U.S. exports. Exports of butterfat products, whey products, cheese, and skim milk powder/nonfat dry milk (SMP/NDM) increased from 2016 to 2017. Overall, exports increased from 8.4 billion to 9.3 billion pounds (10.7 percent) on a milk-fat milk-equivalent basis and from 39.0 billion to 40.8 billion pounds (4.6 percent) on a skim-solids milk-equivalent basis. While export quantities went up from 2016 to 2017, import quantities went down from 7.0 billion to 6.0 billion pounds on a milk-fat basis (-14.3 percent) and from 6.5 to 6.1 billion pounds on a skim-solids basis (-6.2 percent).

While the U.S. dairy industry benefited from higher global demand, domestic use of dairy products was relatively weak in 2017. On a milk-fat basis, domestic use increased only 0.3 percent from the previous year, quite remarkable after 3 years of solid growth, particularly the 3.3 percent growth of 2016. On a skim-solids basis, domestic use decreased by 0.7 percent after 3 years of growth. Domestic use declined for all of the dairy products tracked by USDA Economic Research Service except for butter, American-type cheese, and lactose. Domestic use of butter increased by only 0.3 percent. Domestic use of Other-than-American cheese fell by 0.1 percent, the first decline since 2008, a year of recession. The weak domestic use of 2017 is puzzling given the strengthening of the economy throughout the year. While higher wholesale prices compared to 2016 may have played a role in the relatively low quantities demanded, the price changes were likely not large enough to fully account for the observed statistics.

Domestic use of milk and dairy products

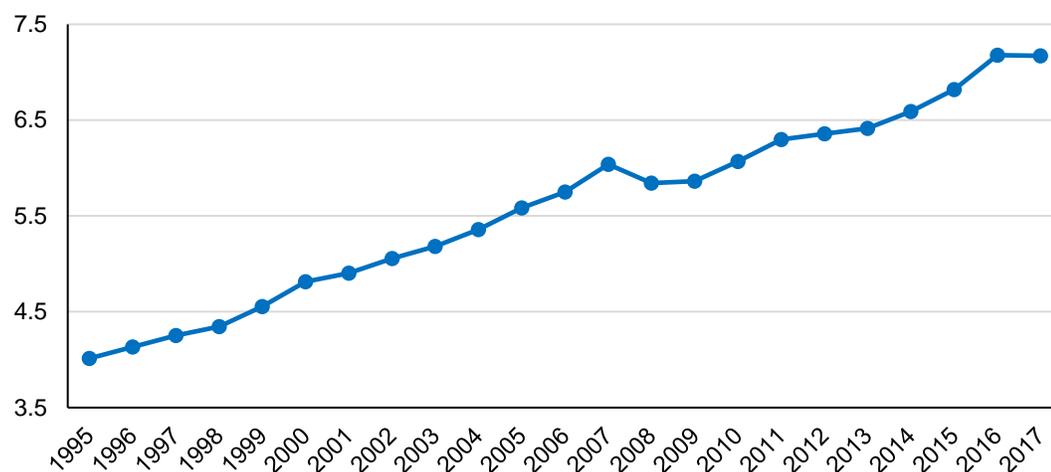
	Units	2016	2017	Percent change
Milk in all products				
Milk-fat milk-equivalent basis	Billion pounds	209.7	210.4	0.3
Skim-solids milk-equivalent basis		178.5	177.3	-0.7
Dairy products				
Butter		1,847	1,852	0.3
Nonfat dry milk/skim milk powder		986	920	-6.7
American-type cheese		4,658	4,774	2.5
Other-than-American cheese	Million pounds	7,179	7,170	-0.1
Dry whey		539	530	-1.7
Whey protein concentrate		228	212	-7.0
Lactose		303	315	4.0

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

Numerous sources were used for conversion factors. See the workbook *Conversion factors and sources* at <http://www.ers.usda.gov/data-products/dairy-data.aspx>.

Other-than-American type cheese, domestic use

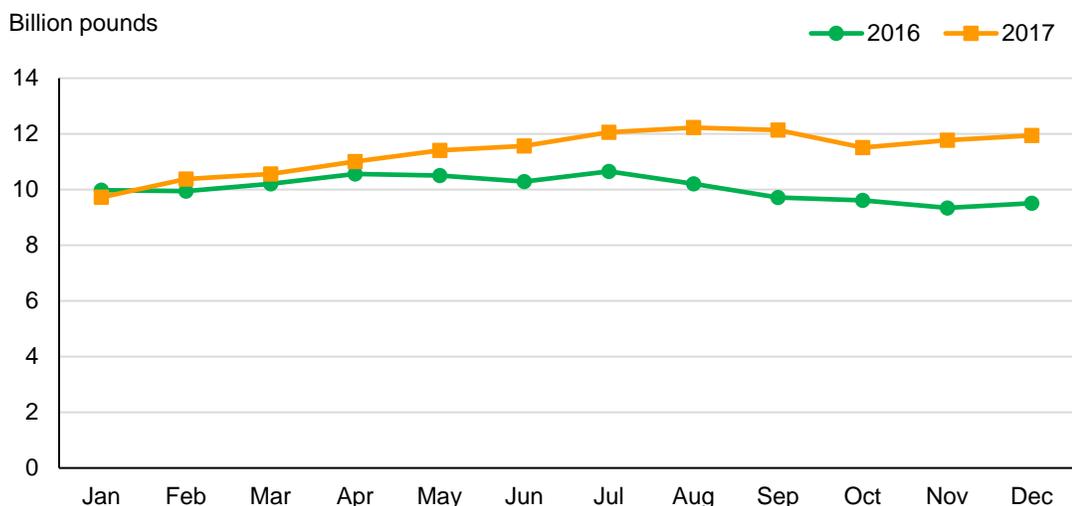
Billion pounds



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

With the increase in milk production and weak domestic demand, stocks for many products piled up during the year. Ending stocks for 2017 were 13.5 billion pounds on a milk-fat basis (6.3 percent above the previous year) and 11.9 billion pounds on a skim-solids basis (25.3 percent above the previous year). The major products with the highest increases in ending stocks were NDM (46.5 percent), dry whey (49.8 percent), and whey protein concentrate (39.6 percent).

Ending stocks of dairy products on a skim-solids milk-equivalent basis



Sources: U.S. Dept. of Agriculture: National Agricultural Statistics Service, Farm Service Agency, Foreign Agricultural Service, and Economic Research Service calculations; and U.S. Dept. of Commerce, Bureau of the Census. Numerous sources were used for conversion factors. See the workbook Conversion factors and sources at <http://www.ers.usda.gov/data-products/dairy-data.aspx>.

Recent Developments in Dairy Markets

U.S. milk production was 18.0 billion pounds in December, 1.1 percent above December 2016. The average number of milk cows in the United States was 9.401 million head, 3,000 more than November 2017 and 47,000 more than December 2016. According to the USDA *Cattle* report, milk replacement heifers numbered 4.781 million head (0.6 percent above January 1, 2016). Of those, 3.038 million head are expected to calve during 2018 (1.1 percent below the previous year).

Most dairy product prices reported in the USDA *National Dairy Products Sales Report* fell from the week ending December 30 to the week ending February 3. The largest decline was a 23-cent per pound fall in the price of cheddar cheese 500-pound barrels. The only price that rose was for cheddar cheese 40-pound blocks, an increase of 0.8 cents per pound. U.S. domestic prices appear to be competitive with foreign export prices, with differences of only a few cents for each product in January.

Dairy wholesale product prices (dollars per pound)

	For the week ending		Change
	Dec. 30	Feb. 3	
Butter	2.2244	2.1524	-0.0720
Cheddar cheese			
40-pound blocks	1.5208	1.5286	0.0078
500-pound barrels ¹	1.6156	1.3831	-0.2325
Nonfat dry milk	0.7064	0.6980	-0.0084
Dry whey	0.2812	0.2524	-0.0288

¹ Adjusted to 38-percent moisture.

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

January 2018 U.S. domestic prices and foreign export prices for dairy products (dollars per pound) ¹

Product	United States domestic price	Oceania export price	Western Europe export price
Butter	2.20	2.16	2.28
NDM/SMP ²	0.70	0.82	0.76
Cheddar cheese	1.52	1.56	NA
Dry whey	0.28	NA	0.38

¹ While the U.S. domestic prices reflect mandatory survey responses for products that have been shipped with title transferred, the foreign export prices reflect information collected from voluntary sources, including prices for products to be shipped in following months.

² NDM/SMP = nonfat dry milk and skim milk powder. Prices reported for the United States are for nonfat dry milk, while foreign export prices are for skim milk powder.

Sources: USDA, Agricultural Marketing Service, *Announcement of Class and Component Prices* (domestic prices) and *Dairy Market News* (foreign export prices).

On January 29, the Council of the EU decided on a temporary change for the EU intervention program for SMP. Rather than set a fixed intervention price, the EU will operate the safety net through a tendering process, deciding purchase quantities and prices on a case-by-case basis. On January 16, the EU accepted bids to sell small quantities of SMP out of intervention, totaling 1,864 metric tons (4.1 million pounds), at feed-grade prices ranging from €1,190 to €1,350 per metric ton (\$0.44 to \$0.50 per pound).

In December, exports on a milk-fat basis were 761 million pounds, 96 million less than November 2017 and 62 million less than December 2016. However, December exports on a skim-solids basis went up to 3.909 billion pounds, an increase of 297 million from November 2017 and 550 million from December 2016. Exports of NDM/SMP, whey products, and lactose rose from November to December, but exports of butterfat products and cheese declined.

In the fourth quarter of 2017, domestic use remained soft. On a milk-fat basis, fourth-quarter domestic use was 54.7 billion pounds, slightly less than the fourth quarter of 2016. On a skim-solids basis, fourth-quarter domestic use was 43.5 billion pounds, only 0.5 percent higher than the fourth quarter of 2016.

Dairy Forecasts for 2018

The forecast for the size of the milking herd in 2018 is unchanged at 9.415 million head, as cow numbers saw little change in December. Due to lower-than-expected yields in the fourth quarter of 2017, lower projected milk prices, and higher expected feed prices, the milk per cow forecast has been lowered slightly for the first half of the year and is now expected to total 23,230 pounds in 2018. As a result, the milk production forecast for the year is 0.1 billion pounds lower than last month's forecast, at 218.7 billion pounds.

Feed price forecasts have been raised since last month. The 2017/18 corn price forecast is \$3.05-\$3.55 per bushel, an increase of 5 cents at the midpoint of the range. The soybean meal price forecast is \$305-\$335 per short ton, an increase of \$5 at the midpoint of the range. The alfalfa hay price was \$148 per short ton in December, unchanged from November but \$21 higher than December 2016. For more information, see the USDA Economic Research Service publication *Feed Outlook*, at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1273>.

The annual forecast for exports on a milk-fat basis in 2018 is unchanged at 9.5 billion pounds, as slight growth from 2017 is still expected due to competitive domestic prices, a

weaker dollar, and plentiful domestic supplies. The 2018 annual import forecast on a milk-fat basis is also unchanged at 6.0 billion pounds. Expectations of domestic demand for products with high milk-fat content are weaker than reflected in last month's forecast based on recent price weakness and high stocks; therefore, the 2018 domestic use forecast on a milk-fat basis has been lowered 0.2 billion pounds to 214.9 billion. Ending stocks for 2018 on a milk-fat basis are forecast 0.1 billion pounds higher than last month's forecast, at 12.9 billion pounds.

On a skim-solids basis, exports for 2018 are projected 0.5 billion pounds higher than the previous forecast, at 42.5 billion pounds, as recent strength in exports of NDM/SMP, whey products, and lactose is expected to carry into the first half of 2018. Imports on a skim-solids basis are now forecast at 6.0 billion pounds for the year, 0.1 billion pounds higher than the last forecast. The domestic use forecast has been lowered 0.8 billion pounds to 181.6 billion, as domestic use lagged year-ago levels in November and December despite lower prices for most dairy products. Ending stocks on a skim-solids basis for the year are forecast at 11.6 billion pounds, unchanged from last month's forecast.

Small changes have been made in forecasts for some product prices in 2018. The cheddar cheese price forecast has been lowered to \$1.530-\$1.600 per pound for the year, as prices in the first half are projected lower but should still climb throughout the year. Recent price declines and continued flagging growth in butter consumption have motivated a decrease in the butter price forecast for the year to \$2.195-\$2.295 per pound. The dry whey and NDM price annual forecasts are unchanged at \$0.270-\$0.300 and \$0.715-\$0.775 per pound, respectively.

The Class III price forecast has been lowered to \$14.20-\$14.90 per cwt due to lower cheese prices; the Class IV price forecast for 2018 is also lower at \$13.35-\$14.15 because of lower butter prices. The all-milk price forecast for the year is \$15.70-\$16.40 per cwt, 15 cents lower at the midpoint of the range than last month's forecast.

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Increased Hog Slaughter and Higher Hog Prices in January 2018

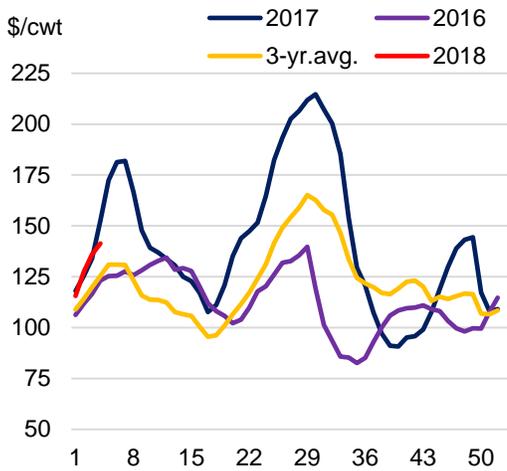
Commercial pork production in the first quarter of 2018 is expected to be 6.6 billion pounds, about 2.9 percent above the same period a year ago. This forecast represents a reduction of about 75 million pounds from the January forecast. The lower-than-expected pace of January hog slaughter prompted the change. Estimated federally inspected hog slaughter in January was 10.65 million head, almost 6 percent ahead of January 2017. The January 2018 average price of live equivalent 51-52 percent lean hogs of \$50.40 per cwt—almost 11 percent above year-earlier prices—shows how recently-increased U.S. hog processor capacity has translated into an increase in demand for hogs: more hogs, purchased at higher prices by processors, to fill expanded processing capacity.

While higher hog prices benefit producers, it is not clear whether current consumer demand for pork is keeping pace with production increases. Margin compression—in this case, processor costs increasing faster than product prices—could turn out to be a short term outcome of expanded processing capacity. In January 2018, the gross processor margin (hog price-wholesale pork carcass cutout) averaged \$12.70 per cwt, almost 33 percent lower than the gross margin in January 2017.

While both hog prices and the wholesale carcass cutout value increased in January, hog prices increased faster, pressuring processor margins. The wholesale value of the pork cutout increased by about 4 percent from January 2 to January 31, but hog prices increased by almost 17 percent. The rapid increase in hog prices is almost certainly brought about by increased processor competition for live hogs.

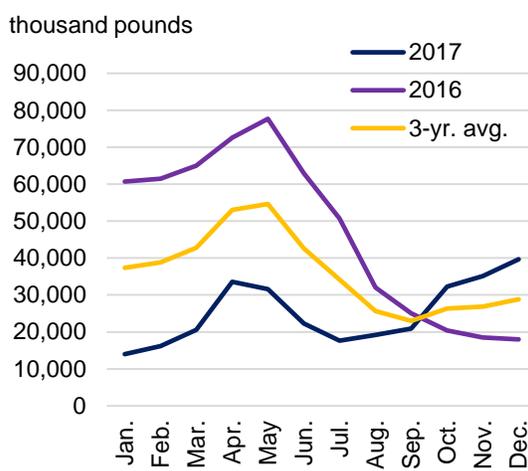
With 2018 real GDP growth expected to be around 2.8 percent, however, domestic demand for pork is expected to increase proportionally. In recent years, U.S consumer demand for bacon has been particularly strong. Last year, belly primal—the primary input to bacon manufacture—was the source of much of the cutout's increase in value. Whether belly values can fuel the carcass cutout in 2018—and thus processor margins—is unclear. Among the factors that contributed to the 2017 run-up in belly prices was the record-low beginning stocks level. Beginning belly stocks last year, at almost 18 million pounds, were the lowest recorded level since December 1977. Beginning belly stocks this year, however, were more than double those of a year earlier, at 39.675 million pounds. On the other hand, just 1 month into 2018, the increase in the value of the cutout in January compared to December 2017 was attributable to the belly primal, with small increases from the ham, butt, and rib primals.

Weekly pork belly primal price



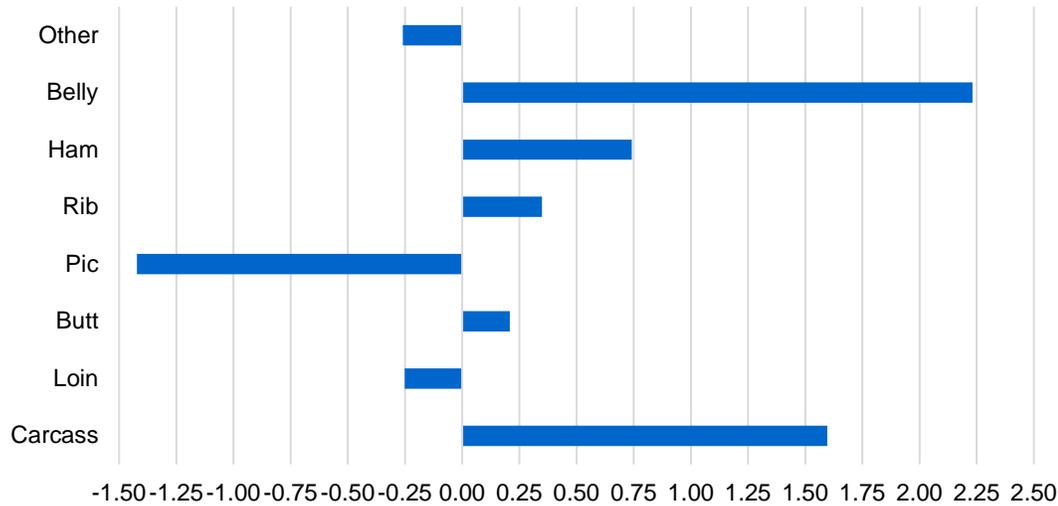
Source: Agricultural Marketing Service, USDA.

Monthly ending stocks, pork bellies



Source: National Agricultural Statistics Service, USDA.

Primal contributions to \$1.60 difference in carcass cutout value, between January 2018 and December 2017



Source: Agricultural Marketing Service, USDA.

The expansion of U.S. processing capacity elevates the importance of pork exports as a component of total pork demand. In 2017, 22 percent of U.S. commercial pork production was exported. This year, exports are expected to be 5.9 billion pounds, almost 5 percent above 2017 and 21.9 percent of commercial pork production. For the year 2017, the 10 largest export markets are summarized below. Roughly the same set of countries is expected to account for about 95 percent of U.S exports in 2018. It is anticipated that increased U.S pork production this year, and the lower pork prices that accompany it, will make U.S pork a very good buy in major foreign markets.

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

	Country	Exports 2016 (mil. lbs)	Exports 2017 (mil. lbs)	Percent change (2017/2016)	Export share 2016 %	Export share 2017 %
	World	5,239	5,632	7.5		
1	Mexico	1610.7	1808.9	12.3	30.7	32.1
2	Japan	1213.1	1229.0	1.3	23.2	21.8
3	Canada	535.8	530.4	-1.0	10.2	9.4
4	South Korea	406.6	524.9	29.1	7.8	9.3
5	China\Hong Kong	644.4	524.8	-18.6	12.3	9.3
6	Australia	187.1	207.2	10.7	3.6	3.7
7	Colombia	119.5	191.6	60.4	2.3	3.4
8	Dominican Republic	74.7	90.9	21.7	1.4	1.6
9	Philippines	76.1	86.1	13.1	1.5	1.5
10	Honduras	74.6	79.0	6.0	1.4	1.4

Source: USDA, Economic Research Service.

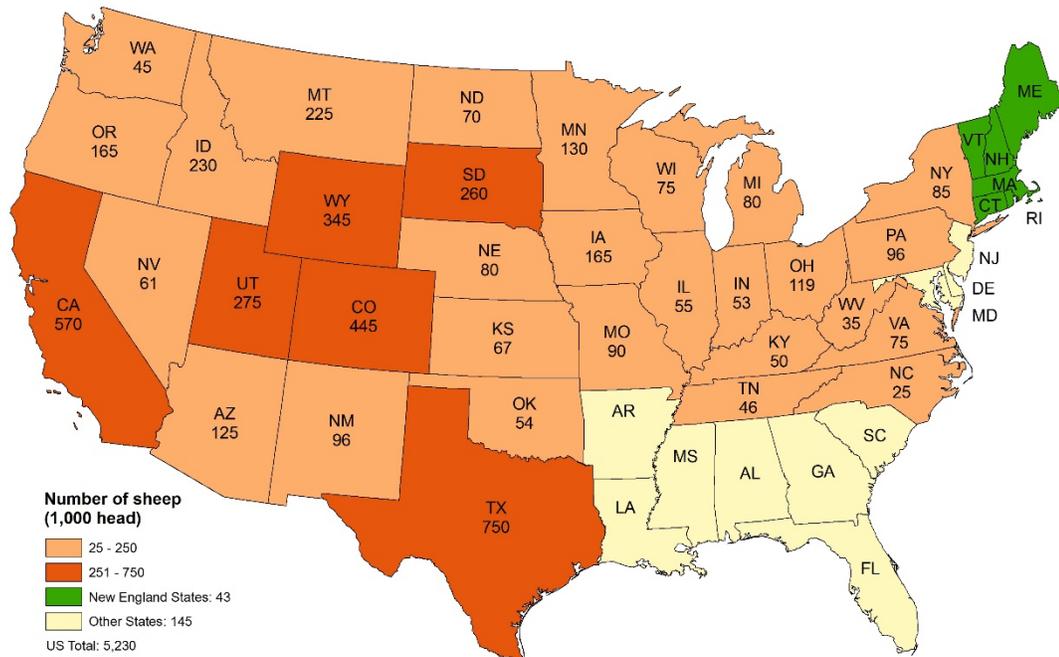
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Sheep / Lamb

Sheep and Lamb Inventory Down Slightly in 2018

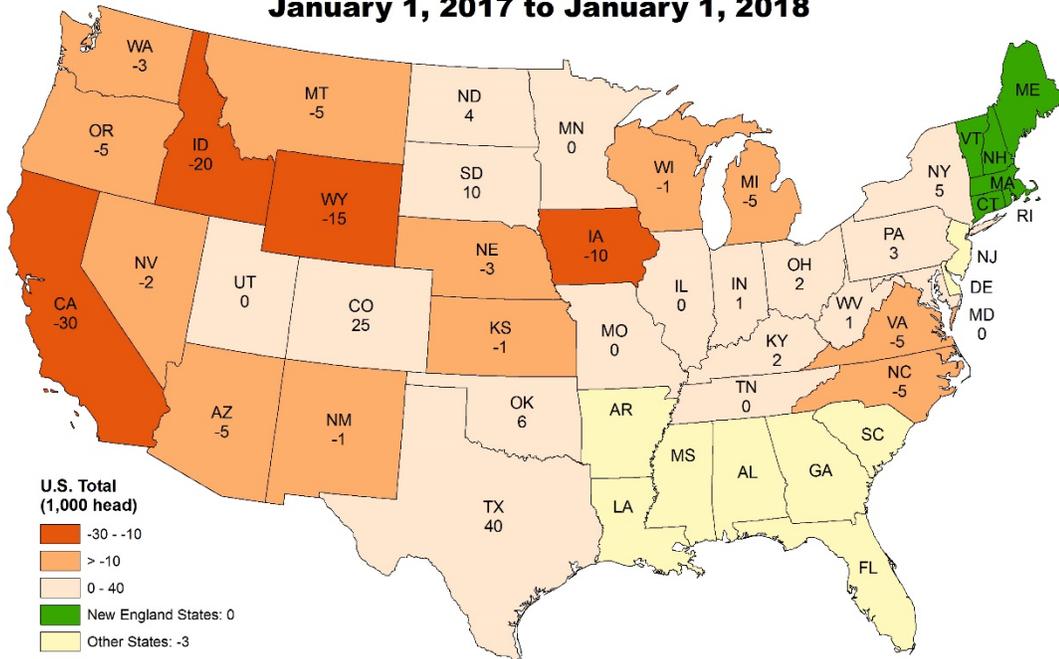
The sheep inventory registered a fractional decline of 20,000 fewer animals than last year. The NASS *Sheep and Goats* report estimated the inventory of all sheep and lamb in the United States on January 1, 2018, at 5.230 million head. Texas, the largest sheep producing State, had a 40,000-head increase in 2018, recovering from the 15,000-head decline the previous year. Colorado and South Dakota also had increases, gaining by 25,000 and 10,000 head, respectively. However, California, the second largest sheep producing State, had a 30,000-head decline. Wyoming, Idaho, and Iowa also had inventory decreases, in excess of 10,000-head each.

Distribution of U.S. sheep by State, January 1, 2018.



Source: U.S. Department of Agriculture, National Agricultural Statistics Service (NASS).
Compiled by Economic Research Service.

Change in U.S. sheep numbers by State, January 1, 2017 to January 1, 2018



Source: U.S. Department of Agriculture, National Agricultural Statistics Service (NASS).
Compiled by Economic Research Service.

While the NASS *Sheep and Goats* report shows that there are 25,000 more market lambs on January 1, 2018, than on the same date last year, the drop in breeding sheep inventory portends fewer animals available for market in the latter half of 2018. Despite a 30,000-head increase in breeding sheep in Texas, the total U.S. breeding sheep inventory decreased by 45,000 head, 1 percent below the previous year to 3.83 million head. This was comprised of 5,000 fewer replacement lambs under 1 year and 40,000 fewer ewes 1 year and older. With the lambing rate remaining fairly stable at 105 lambs per 100 ewes 1 year or older, attempts at inventory growth could result in an already tight lamb market becoming ever tighter.

Slight Improvement in Prices Expected in 2018

The Choice slaughter lamb prices at San Angelo, Texas ended 2017 at their lowest levels for the year. The fourth-quarter slaughter-lamb price was \$131.22 per cwt, dragged down by a healthy supply of meat in the livestock and poultry complex and the lower prices of those competing meats. January 2018 prices were little changed from late last year, averaging \$130.88 per cwt. Prices are expected to improve slightly as the quarter progresses, however, as increased seasonal demand for the religious holidays is expected to bolster lamb prices. Easter and Passover begin during the first week of April, and the impact on lamb demand and prices should be felt in the first quarter. First-quarter 2018 prices are forecast at \$130-\$134 per cwt.

Production Expected To Show Little Change in 2018

Commercial lamb and mutton production totaled 145 million pounds in 2017, down 3 percent from 2016, with the fourth quarter totaling 37 million pounds. The NASS *Sheep and Goats* report shows the market sheep and lamb inventory up 2 percent from January 2018, which suggests that lamb meat supply during the first half of 2018 could be higher than last year; however, the smaller 2017 lamb crop, coupled with a small breeding-sheep flock, suggests that fewer slaughter animals may be available during the latter half of 2018. First-quarter 2018 lamb and mutton production are forecast at 37 million pounds,

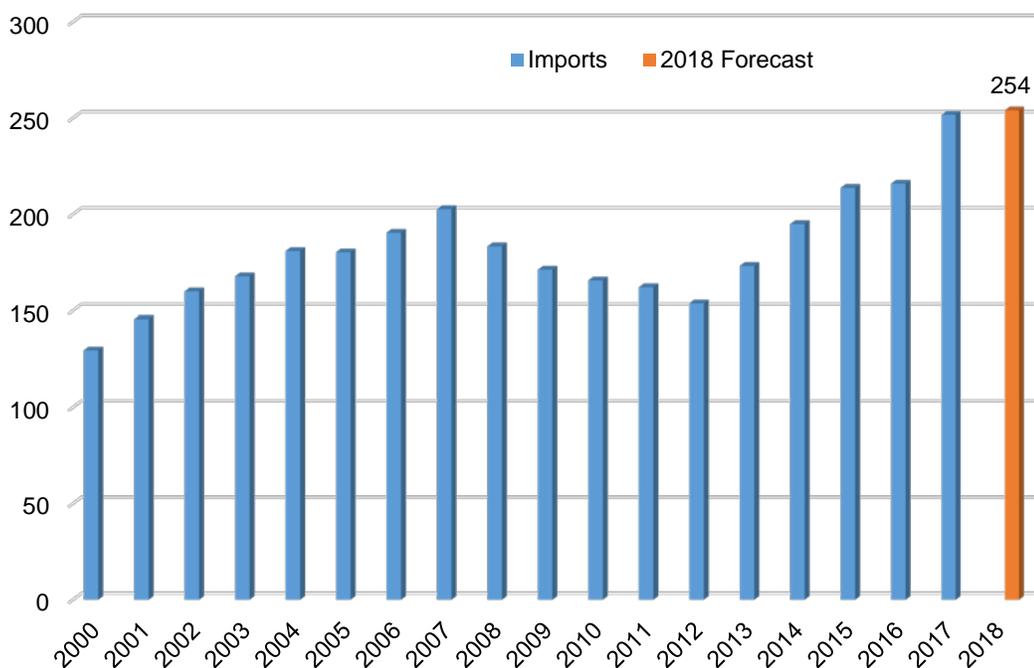
equaling the same period in 2017, and full-year 2018 production is forecast at 144 million pounds, less than 1 percent below 2017.

Imports Expected To Show Further Gains in 2018

Lamb and mutton imports continue to offset domestic production, reaching record levels in 2017. Imports in December came in at nearly 20 million pounds, resulting in lamb and mutton imports of 57 million pounds for the fourth quarter and a total of 252 million pounds for 2017, up 17 percent from 2016. First-quarter 2018 imports are expected to be around 82 million pounds, nearly 3 percent above first-quarter 2017. Wholesalers and retailers are likely to increase stocks in preparation for increased seasonal demand during the religious holidays at the beginning of April. A slight uptick in full-year imports is also expected, driven largely by improved economic conditions and continued tight U.S. supplies. Imports in 2018 are expected to increase by approximately 1 percent to around 254 million pounds.

Lamb and Mutton imports continue to show strength

million pounds



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

Exports increased approximately 9 percent to 5.902 million pounds in 2017. December exports came in at 535.223 pounds with a fourth-quarter total of 1.628 million pounds, nearly 12 percent below the same period in 2016. While there was export growth in a number of Latin American and Caribbean countries, exports to Mexico, the primary U.S. lamb and mutton export market, declined nearly 10 percent. Interestingly, exports to both Australia and New Zealand, the major suppliers of imported lamb and mutton, increased 370.5 and 216 percent, respectively, albeit from a small base. Other notable recipients of U.S. lamb and mutton in 2017 were China and Japan, each purchasing in excess of 100,000 pounds.

First-quarter 2018 exports are forecast at 2 million pounds, 50 percent above the same period in 2017. Ongoing tight supplies of lamb and mutton in the domestic market could limit export growth potential, but full-year 2018 exports are forecast to increase by 36 percent over those of 2017.

U.S. lamb and mutton exports to major destinations, 2016 and 2017

	2016	2017	Year-over-Year change
	--Thousand pounds--		
Mexico	2,219	2,008	-9.5%
Canada	239	569	137.7%
Bahamas	264	336	27.2%
United Arab Emirates	53	226	328.7%
Bermuda	306	221	-27.6%
Aruba	96	181	89.3%
Jamaica	39	172	342.2%
Trinidad and Tobago	85	160	88.7%
Guatemala	2	116	6028.6%
Panama	82	113	37.9%
Australia	24	112	370.5%
China (Mainland)	0	106	
Japan	0	106	
U.S. Total Exports	5,420	5,902	8.9%

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

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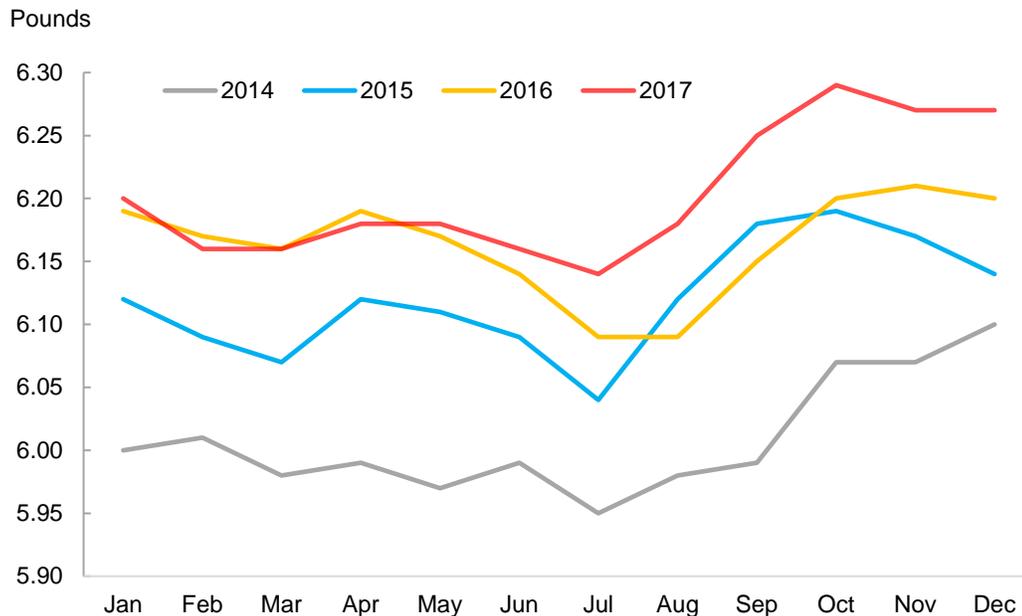
Poultry

Broiler Production, Export, and Price Expectations Increased Slightly

December broiler meat production was 3.3 billion pounds, slightly above a year earlier. One less slaughter day than in 2016 reduced production growth from what it would have been otherwise. Bird weights were over a percent higher than a year earlier. Consistent year-over-year weight growth since May 2017, as seen in the chart below, has driven expectations for bird weights higher into 2018 and helped raise expected 2018 production by 150 million pounds.

Broiler weights closed 2017 by continuing to show solid growth

Average broiler weight at slaughter by month and year, 2014-2017



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

Broiler exports in December were 571 million pounds, about 5 percent lower than a year earlier. Year-over-year declines were spread across a number of countries, including Kazakhstan, Democratic Republic of the Congo, Hong Kong, Mexico, Georgia, and Colombia. Export losses were partially offset by significantly higher shipments to Taiwan, Vietnam, and the Philippines. Projected exports for 2018 were raised 40 million pounds, in part because the raised production projection would result in greater supplies of dark meat that are typically exported.

During January, weekly prices for whole broilers (national composite) declined a few cents on a normal seasonal pattern, and the price was under 92 cents per pound for the week ending February 2. In the coming weeks moderate gains are expected on a typical seasonal pattern, and the first-quarter projection was increased slightly to 93-95 cents per pound.

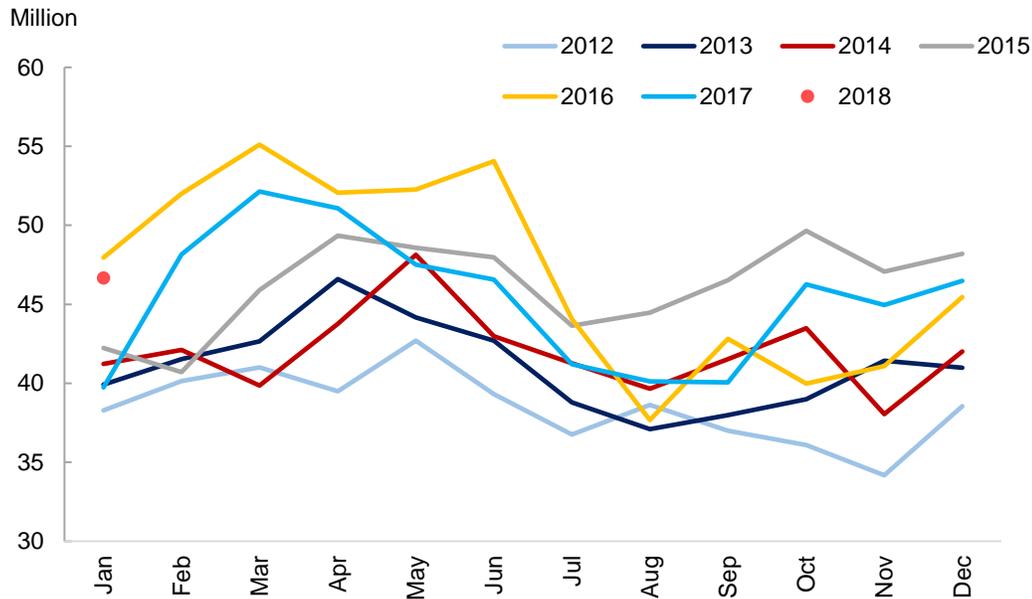
Table Egg Production Expansion Lagging Behind Intentions

Table egg production was 661 million dozen in December, slightly below the year before and in line with expectations. While the layer flock started the month higher than a year earlier, eggs per layer were lower. This contrast may indicate producers retaining layers longer than a year earlier in order to boost production higher than it would be otherwise.

While production incentives have improved substantially since mid-2017 on higher margins, various production factors typically delay the expansion of egg production. As of January 1, layer-type eggs in incubators (for hatching) were nearly 9 percent higher than the January average for the 6 prior years. This kind of expansion intention has not been seen since the aftermath of avian influenza in late 2015 and early 2016, a period that coincided with significant growth in the cage-free flock as well. Producers' recent intentions to expand have been observed since about October 2017, but will not begin to affect table egg production until a few months later. Until then, the lay rate could remain lower on a year-over-year basis as layer inventory is retained beyond optimal productivity. The first-quarter projection for production was lowered 10 million dozen.

Hatchery data suggest future layer flock expansion

Layer type chicken eggs in incubators on the first of the month, 2012-2017



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

December exports of eggs and egg products were 28 million dozen (shell-egg equivalent), up 5 percent from last year. Shipments to Canada were over 3 million dozen higher than a year earlier. Japan, Hong Kong, and South Korean purchases continued to show strong growth. A few European countries, including Germany and Britain, also received more shipments. Mexico and Jamaica continued to show declines in export growth, down 1.6 and 1.4 million dozen, respectively.

Wholesale egg prices (large grade A eggs, New York) in January were significantly higher than expected, reaching 186 cents per dozen by early February. The first-quarter projection was increased to 133-137 cents per dozen, and each subsequent quarter was increased a lesser amount as production growth should replenish the marketing channels. For 2018, price projections were increased to 114-121 cents per dozen.

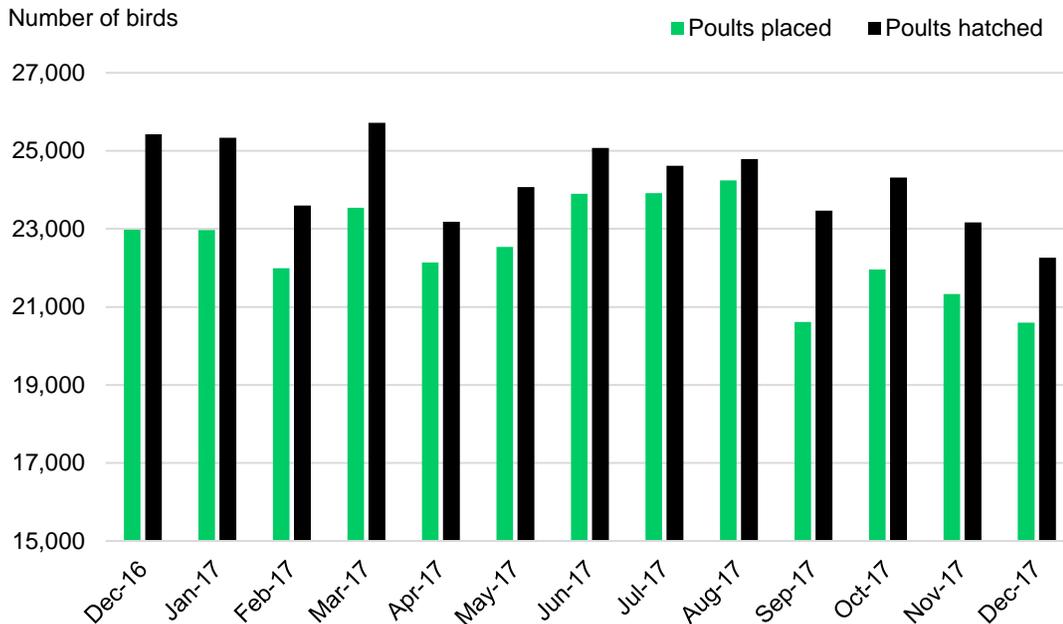
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Turkey Production Flat in 2017

Initial estimates for 2017 annual turkey production total 5.980 billion pounds, a decline of just over 0.02 percent compared with 2016. The lack of growth in 2017 may be attributable to reduced returns for producers relative to 2016, when wholesale prices were significantly higher for whole birds and the majority of cuts. With prices remaining well below historic averages, 2018 production is anticipated to decrease fractionally as well.

December 2017 production totaled 461 million pounds, a 4-percent decline from December 2016, but a 1-percent increase based on a per day slaughter basis. Hatchery report data for December fell far below the same period in 2016, indicating lower production totals in the coming months. Placements and eggs hatched both fell by over 10 percent compared with a year earlier, and eggs in incubators to start January were down 4 percent. While the data fluctuates from month to month, declines of over 10 percent suggest that producers are likely responding to reduced returns brought about by low wholesale prices. The 2018 turkey production forecast is 5.970 billion pounds, down 30 million pounds from last month and 0.002 percent below 2017.

Turkey poults placed and hatched



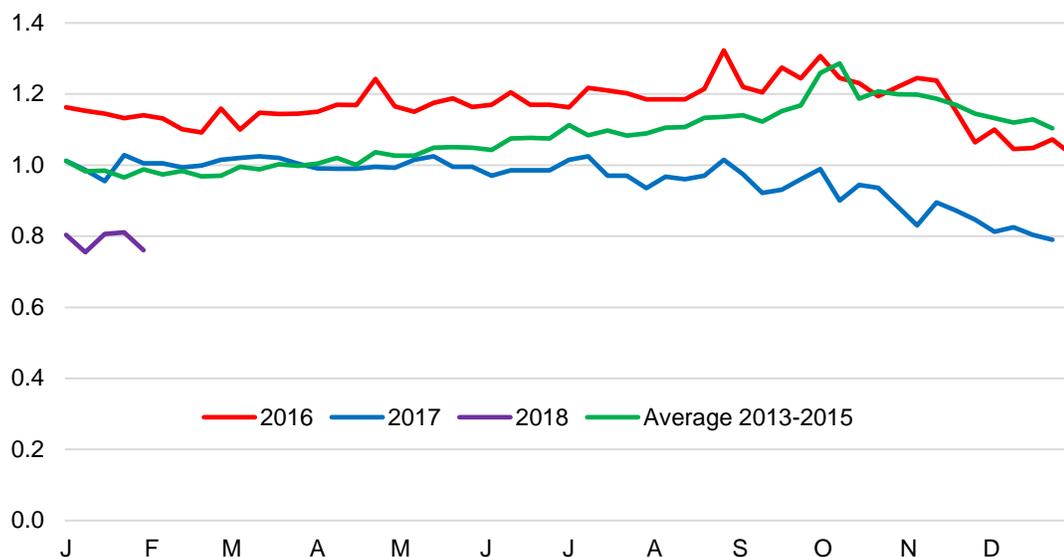
Source: USDA, Economic Research Service using USDA, National Agricultural Statistics Service Turkey Hatchery report.

Whole Turkey Prices Remain Below Historical Averages Heading Into 2018

Wholesale whole-hen frozen turkey prices remain low in comparison to past years. The latest price data, covering the first 2 weeks of February 2018, shows whole hen prices at 76 cents per pound, well below early-February prices for the past several years. The low wholesale prices indicate that turkey meat demand has not kept pace with recent production. Turkey price forecasts are lowered for 2018 and are expected to average \$0.88 to \$0.94 per pound for the year, about 5 percent below prices in 2017.

Wholesale whole hen turkey prices

Cents per pound



Source: USDA, Economic Research Service Livestock and Meat Domestic Data.

Turkey Exports Increased Again in December

December turkey exports were 6 percent higher than a year earlier, totaling 53 million pounds. Total 2017 annual exports are estimated to be 622 million pounds, which is 9 percent more than 2016 levels. Mexico remains the largest destination for U.S. turkey shipments, with 34 million pounds shipped in December, or 65 percent of all U.S. shipments. Exports are expected to grow further in 2018 to 645 million pounds, a 4-percent increase over 2017.

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Livestock & Meat Domestic Data, <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data/>, contains domestic supply, disappearance, and price data.

Dairy Data, <https://www.ers.usda.gov/data-products/dairy-data/>, 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/?page=1&topicId=0&authorId=0&seriesCode=LDP&sort=CopyrightDate&sortDir=desc>
Animal Production and Marketing Issues, <https://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues/>
Cattle, <https://www.ers.usda.gov/topics/animal-products/cattle-beef/>
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Hogs, <https://www.ers.usda.gov/topics/animal-products/hogs-pork/>
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U.S. red meat and poultry forecasts

	2015					2016					2017					2018				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb																				
Beef	5,665	5,856	6,068	6,109	23,698	5,938	6,187	6,472	6,625	25,221	6,300	6,404	6,731	6,738	26,173	6,570	7,175	6,885	7,095	27,725
Pork	6,162	5,925	5,958	6,457	24,501	6,230	5,963	6,100	6,648	24,941	6,409	6,137	6,239	6,796	25,581	6,595	6,440	6,580	7,270	26,885
Lamb and mutton	38	39	37	37	150	38	39	36	37	150	37	36	35	37	145	37	35	35	37	144
Broilers	9,718	10,021	10,372	9,937	40,048	10,039	10,253	10,338	10,065	40,696	10,233	10,407	10,551	10,468	41,659	10,475	10,675	10,800	10,650	42,600
Turkeys	1,429	1,389	1,352	1,458	5,627	1,435	1,520	1,515	1,511	5,981	1,487	1,481	1,479	1,532	5,979	1,465	1,470	1,490	1,545	5,970
Total red meat & poultry	23,157	23,382	23,940	24,150	94,630	23,834	24,118	24,623	25,038	97,613	24,612	24,618	25,191	25,725	100,145	25,293	25,952	25,948	26,751	103,944
Table eggs, mil. doz.	1,820	1,726	1,664	1,728	6,938	1,793	1,827	1,876	1,939	7,435	1,902	1,896	1,899	1,938	7,635	1,925	1,930	1,950	2,000	7,805
Per capita disappearance, retail lb 1/																				
Beef	13.1	13.6	13.9	13.3	54.0	13.6	13.9	14.1	14.0	55.6	14.0	14.2	14.4	14.3	56.9	14.2	15.6	14.6	14.9	59.2
Pork	12.2	11.8	12.1	13.6	49.8	12.6	11.9	12.1	13.5	50.1	12.4	11.8	12.4	13.5	50.1	12.3	12.5	12.8	14.2	51.8
Lamb and mutton	0.2	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.1	0.3	0.2	0.2	0.3	1.1
Broilers	21.4	22.1	23.3	22.1	89.0	22.5	22.7	22.7	21.8	89.8	22.4	22.9	23.2	22.5	91.0	22.9	23.2	23.5	23.1	92.6
Turkeys	3.5	3.6	3.9	4.9	16.0	3.6	3.9	4.2	4.9	16.6	3.7	3.7	4.0	5.0	16.4	3.8	3.6	4.0	4.9	16.4
Total red meat & poultry	50.9	51.8	53.8	54.6	211.1	52.9	53.0	53.7	54.9	214.6	53.2	53.2	54.7	55.9	217.0	53.9	55.5	55.5	57.7	222.6
Eggs, number	65.7	62.9	61.9	65.7	256.3	67.5	67.4	68.8	71.0	274.7	68.5	68.2	68.4	69.1	274.2	68.8	68.8	69.6	71.3	278.6
Market prices																				
Choice steers, 5-area Direct, \$/cwt	162.43	158.11	144.22	127.71	148.12	134.81	127.68	113.26	107.69	120.86	122.96	132.76	112.46	117.88	121.52	122-126	117-125	110-120	112-122	116-123
Feeder steers, Ok City, \$/cwt	210.31	219.65	208.11	173.59	202.92	155.83	146.49	140.66	128.30	142.82	129.56	147.75	148.12	154.88	145.08	146-150	144-152	136-146	134-144	141-148
Cutter Cows, National L.E., \$/cwt	107.61	109.50	103.34	77.80	99.56	73.50	75.87	73.16	57.75	70.07	62.63	69.65	69.78	58.68	65.16	60-64	59-67	58-68	57-67	59-66
Choice slaughter lambs, San Angelo, \$/cwt	147.17	140.09	146.23	142.52	144.00	133.33	136.15	137.52	131.88	134.72	138.91	153.46	141.29	131.22	141.22	130-134	131-139	133-143	130-140	132-139
Nat'l base cost, 51-52 % lean, live equivalent, \$/cwt	48.47	53.20	54.59	44.66	50.23	44.63	53.71	49.26	37.02	46.16	49.73	51.70	55.59	44.89	50.48	49-51	49-53	47-51	40-44	47-49
Broilers, national composite, cents/lb	97.00	104.20	83.70	77.20	90.50	84.60	93.00	81.7	78.00	84.30	88.50	104.70	94.9	86.10	93.50	93-95	92-98	84-92	83-89	88-94
Turkeys, national, cents/lb	99.60	108.50	126.40	130.10	116.20	114.70	116.50	120.70	116.60	117.10	100.40	99.10	96.9	88.0	96.10	79-81	87-93	91-99	96-104	88-94
Eggs, New York, cents/doz.	146.90	170.30	235.70	174.10	181.80	121.50	67.90	71.60	81.70	85.70	80.00	74.70	102.1	147.0	100.9	133-137	101-107	106-114	115-125	114-121
U.S. trade, million lb, carcass wt. equivalent																				
Beef & veal exports	523	607	542	595	2,267	535	621	661	738	2,556	651	683	746	782	2,862	710	740	785	790	3,025
Beef & veal imports	878	990	890	613	3,371	793	831	751	639	3,015	699	813	814	668	2,994	720	810	820	680	3,030
Lamb and mutton imports	53	56	46	59	214	68	55	41	52	216	80	58	57	57	252	82	57	56	59	254
Pork exports	1,224	1,339	1,173	1,274	5,010	1,229	1,318	1,235	1,457	5,239	1,432	1,426	1,230	1,544	5,632	1,475	1,425	1,350	1,650	5,900
Pork imports	279	266	270	300	1,116	293	257	266	275	1,091	264	281	283	287	1,116	260	240	250	250	1,000
Broiler exports	1,624	1,713	1,487	1,496	6,321	1,585	1,605	1,734	1,720	6,644	1,711	1,618	1,664	1,787	6,780	1,720	1,740	1,760	1,730	6,950
Turkey exports	148	123	125	132	529	116	141	160	153	569	133	148	167	173	621	145	150	170	180	645
Live swine imports (thousand head)	1,309	1,541	1,371	1,519	5,740	1,468	1,406	1,371	1,412	5,656	1,449	1,458	1,298	1,395	5,600	1,450	1,450	1,350	1,450	5,700

Note: Forecasts are in bold.

1/ 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

	2016	2017					2018				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thousands)	9,328	9,370	9,398	9,402	9,399	9,392	9,410	9,415	9,420	9,420	9,415
Milk per cow (pounds)	22,775	5,717	5,886	5,688	5,646	22,937	5,765	5,960	5,755	5,750	23,230
Milk production (billion pounds)	212.4	53.6	55.3	53.5	53.1	215.4	54.2	56.1	54.2	54.2	218.7
Farm use	1.0	0.2	0.2	0.3	0.3	1.0	0.2	0.2	0.3	0.3	1.0
Milk marketings	211.4	53.3	55.1	53.2	52.8	214.4	54.0	55.9	54.0	53.9	217.7
Milk-fat (billion pounds milk equiv.)											
Milk marketings	211.4	53.3	55.1	53.2	52.8	214.4	54.0	55.9	54.0	53.9	217.7
Beginning commercial stocks	12.3	12.7	16.2	17.9	16.3	12.7	13.5	17.0	18.5	16.0	13.5
Imports	7.0	1.5	1.4	1.5	1.6	6.0	1.5	1.4	1.5	1.6	6.0
Total supply	230.8	67.6	72.7	72.6	70.7	233.2	69.0	74.3	73.9	71.5	237.3
Commercial exports	8.4	2.1	2.5	2.3	2.4	9.3	2.2	2.5	2.4	2.3	9.5
Ending commercial stocks	12.7	16.2	17.9	16.3	13.5	13.5	17.0	18.5	16.0	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	209.7	49.3	52.4	54.0	54.7	210.4	49.8	53.3	55.5	56.3	214.9
Skim solids (billion pounds milk equiv.)											
Milk marketings	211.4	53.3	55.1	53.2	52.8	214.4	54.0	55.9	54.0	53.9	217.7
Beginning commercial stocks	9.2	9.5	10.6	11.6	12.1	9.5	11.9	12.1	12.5	11.7	11.9
Imports	6.5	1.7	1.5	1.4	1.5	6.1	1.5	1.5	1.5	1.6	6.0
Total supply	227.1	64.5	67.1	66.2	66.5	230.0	67.4	69.4	68.0	67.2	235.7
Commercial exports	39.0	9.8	10.3	9.7	11.0	40.8	10.3	10.9	10.6	10.6	42.5
Ending commercial stocks	9.5	10.6	11.6	12.1	11.9	11.9	12.1	12.5	11.7	11.6	11.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	178.5	44.2	45.2	44.4	43.5	177.3	45.0	46.0	45.6	44.9	181.6
Milk prices (dollars/cwt) ¹											
All milk	16.30	18.23	16.83	17.70	17.73	17.63	15.45	15.20	15.55	16.60	15.70
							-15.75	-15.80	-16.45	-17.60	-16.40
Class III	14.87	16.49	15.74	16.13	16.34	16.17	13.55	13.90	14.50	14.85	14.20
							-13.85	-14.50	-15.40	-15.85	-14.90
Class IV	13.77	15.37	14.80	16.36	14.12	15.16	12.85	13.30	13.55	13.80	13.35
							-13.25	-14.00	-14.55	-14.90	-14.15
Product prices (dollars/pound) ²											
Cheddar cheese	1.605	1.648	1.555	1.623	1.712	1.634	1.480	1.500	1.555	1.590	1.530
							-1.510	-1.560	-1.645	-1.690	-1.600
Dry whey	0.288	0.485	0.509	0.434	0.347	0.444	0.255	0.265	0.275	0.285	0.270
							-0.275	-0.295	-0.305	-0.315	-0.300
Butter	2.078	2.200	2.229	2.597	2.295	2.330	2.130	2.205	2.240	2.215	2.195
							-2.190	-2.295	-2.360	-2.345	-2.295
Nonfat dry milk	0.829	0.955	0.874	0.874	0.763	0.867	0.690	0.705	0.715	0.765	0.715
							-0.720	-0.755	-0.785	-0.835	-0.775

Totals may not add due to rounding.

¹ Simple averages of monthly prices. May not match reported annual averages.

² Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly U.S. Dept. of Agriculture, *National Dairy Products Sales Report*.

Sources: USDA, National Agricultural Statistics Service; USDA, Agricultural Marketing Service; USDA, Foreign Agricultural Service; and USDA, World Agricultural Outlook Board.

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