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Livestock, Dairy, and Poultry Outlook

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Corn Production Estimate Lowered; Feeding Costs/Uncertainty Rise

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Web Sites

Tables will be released on November 28, 2006

The next newsletter release is December 18, 2006

Approved by the World Agricultural Outlook Board.

NOTE: Mandatory reporting for dairy products in cold storage has improved the compliance to the entire Cold Storage Survey. As a result, additional data for some commodities have been collected that were not previously reported on the survey. In order to maintain the month-to-month and year-to-year comparisons, estimates have been adjusted to exclude the newly acquired data in the summary tables. The September estimates have been revised accordingly for selected commodities. NASS will provide data for these commodities in a new table found on the table on the contents page of the *Cold Storage* report . This table will be updated monthly until the end of the calendar year. All commodities for 2006 can be further revised in the annual *Cold Storage* report issued in February 2007. Further information will appear in the *Cold Storage* report to be released on November 21, 2006.

Feed Grain/Forage Conditions: November 1 U.S. corn production for 2006 was forecast at 10.7 billion bushels, down 160 million bushels from last month. Consequently, the 2006/07 marketing year average farm price of corn was raised 40 cents on both ends of the range to $2.80 to $3.20 per bushel. The red-meat/poultry sector will have to adjust to new, higher corn prices.

Cattle/Beef: Higher corn prices, a negative outlook for wheat pasture development, and lower fed cattle prices are exerting downward pressure on feeder cattle prices. Despite weakness over the last 2 weeks, demand for beef is holding its own in the marketplace. Compared with this time last year, total beef supplies and supplies of competing meats are higher. Until early fall, prices for fed cattle and carcass beef had been running higher than prices for the same period in 2005.

Beef Trade: The conditions that triggered the slowdown in U.S. beef imports in early summer persisted through the third quarter, namely, drought in parts of the United States and redirected beef trade worldwide. Beef exports in the third quarter reached 307 million pounds, more than double the export total from the same period in 2005. While important Asian markets have reopened to U.S. beef, the market strength seen to date is the result of exports to Mexico and Canada returning to pre-BSE levels. Cattle imports during the third quarter exceeded usual seasonal levels due to higher imports from Mexico.

Dairy: Milk production will continue to rise in 2007 but at a much lower pace than in 2006. Continued strong demand for all dairy products, especially dry products, will boost prices for the balance of this year and into 2007. A slight reallocation of milk to dry products and butter from cheese could occur in late 2006 as processors adjust to keep up with demand.

Sheep/Lamb: Third-quarter 2006 commercial production of lamb and mutton totaled 42 million pounds, 5 percent lower than the same period in 2005. Lamb supply and demand are usually both at their lowest points during the third quarter of each year.

Hogs/Pork: The fourth quarter is typically the period of the year when pork production achieves its annual high, driving hog prices to their annual lows. Fourth-quarter 2006 opened with a very large slaughter, but hog prices moved only slightly lower in response. The October estimate of federally inspected hog slaughter was almost 6 percent above a year ago, while live-equivalent prices of 51-52 percent lean hogs were $47.57 per hundredweight (cwt), just 0.7 percent below October 2005.

Poultry: Broiler production in fourth-quarter 2006 is forecast at 8.9 billion pounds, about the same as in the previous year. With higher production of beef and pork and no major increase in broiler exports, broiler prices are expected to be pressured in fourth-quarter 2006. The production estimate for 2007 was lowered by 250 million pounds due to a combination of low broiler prices and expected higher feed costs. Turkey production was higher in the third quarter, but stocks declined. These factors combined to push wholesale whole-bird prices higher, with prices for whole hens in the Eastern market reaching 95.8 cents per pound in October, up 16 percent from the previous year.

Poultry Trade: U.S. shipments of broiler and turkey products in September were down from September 2005. Broiler exports totaled 360 million pounds, a decline of 5 percent, while turkey exports of 49 million pounds, were down 6 percent from a year ago.

Feed and Forage

Corn Production Estimate Lowered

November 1 U.S. corn production for 2006 was forecast at 10.7 billion bushels, down 160 million bushels from last month. The national average yield was lowered 2.3 bushels per acre this month largely reflecting declines in Illinois, Indiana, Iowa, and Nebraska. Feed and residual use was lowered 50 million bushels reflecting sharply higher cash prices and the reduced crop. Exports also were lowered 50 million bushels as higher prices are expected to slow the pace of sales and shipments later in the year as supplies tighten. Ending stocks are projected to be down 60 million bushels to 935 million, less than half the ending stock levels of the past two years.

The 2006/07 marketing year average farm price of corn was raised 40 cents on both ends of the range to $2.80 to $3.20 per bushel. Despite the strength of current cash prices, farm prices are expected to lag current cash levels as a result of farmers' forward-pricing their corn during this past spring and summer at lower than current prices. Grain sorghum production was also lowered and the average price raised 60 cents a bushel to $2.80 to $3.20 a bushel.

Soybean production is forecast at a record 3.2 billion bushels, up 15 million bushels from last month. Soybean meal prices are projected at $165 to $190 per short ton, up from $147.50 to $177.50 last month.

Feeding Costs/Uncertainty Rise

Grain harvest typically marks the seasonal price low. However, this year, despite the third largest crop on record, corn prices have been rising counter-seasonally. Corn prices in Central Illinois averaged $2.07 a bushel in August, but have risen continuously to $2.82 in October. A new variable has been added to feed grain supply/demand analysis—ethanol. Strong growth in the ethanol industry is expected to continue to pull in larger quantities of corn as additional plants and plant expansion come on line. Corn use in fuel ethanol is projected at 2,150 billion bushels, up from 1,603 billion last year and 1,323 billion in 2004/05.

Production and price aberrations were historically short-term phenomen due to production shortfalls. Typically feeder cattle sell at a premium to fed cattle due to lower priced cost of gain, but when feed costs, including forages, rise and/or grazing conditions are poor, stocker/feeder cattle prices are pressured downward. In the spring of 1996 fed cattle prices averaged $60.66 per cwt, while yearling feeder cattle averaged $56.87 per cwt, 600-650 weight feeders averaged $58.81 per cwt, and 500-550 weight stocker/feeder cattle averaged $59.86 per cwt. At present, October stocker/feeder cattle were still selling at a strong premium to fed cattle. However, with poor forage conditions this fall and sharply rising corn prices, largely due to expanding ethanol grain demand, feeder cattle are going to be under increasing pressure, at least until spring and a new grazing season begins. Fortunately for stocker/feeder cattle producers, distillers' grain, a byproduct from ethanol production, can be incorporated into cattle rations at much lower prices than the prevailing cash corn price. Wet distillers' grains are priced very favorably and can comprise 20 to 40 percent of fed cattle rations. Higher levels can perhaps be utilized as feeding regimes are altered to this rapidly expanding feed source.

Unfortunately for the pork and poultry sectors, with present feeding technology, distillers' grains are limited to about 10 percent or less of the feeding rations**.**

Cattle/Beef

High Corn Prices Pushing Feeder Cattle Prices Down

Wheat planting and emergence is slightly ahead of the poor year-earlier conditions and the 5-year average in Texas, slightly behind in Oklahoma, and about even in Kansas. Despite this progress, the outlook for wheat pasture and other winter pasture is negative because of a general lack of rain. U.S. production of all hay is estimated to be about 1.6 percent below hay production for 2005. With all-hay stocks already low from last winter's and this past summer's supplemental feeding, prospects are not good for rebuilding hay stocks this fall for supplemental feeding this winter.

Central Illinois corn prices in November are nearly double year-earlier prices and are increasing counter-seasonally through harvest. As a result, feeder cattle prices have begun to decline. While September 2006 feeder cattle prices (Oklahoma City, Medium, Number 1, 750-800 pounds) were almost 5 percent higher than September 2005 prices, October 2006 feeder cattle prices averaged 4-percent below October 2005 prices. October 2006 cow prices are about 2.5 percent below estimates for October 2005. Despite the relatively high third-quarter beef cow slaughter-a result of relatively dry pasture conditions that are continuing into fourth-quarter 2006-cow slaughter appears to be continuing at the high rates of the last several weeks, and is following a "normal" seasonal increase for fourth-quarter 2006.

Cow Slaughter To Moderate in 2007

Beef cow slaughter in 2007 will moderate somewhat from this year's high, weather-driven cull and will be more in line with expected slaughter, assuming normal weather patterns and given that cattle producers will be in the third year of the current cyclical inventory expansion. Dairy cow slaughter is also increasing, reflecting herd liquidation due to poor returns. As a result, the January 1, 2008 cow inventory is expected to show, at most, only a modest increase.

With marketings of cattle from feedlots of 1,000 head or more continuing at below year-earlier levels, cattle on feed in 1,000-plus head lots set a new record for October 1. Heifers on feed October 1, 2006 were up 16 percent from a year ago, and up 4 percent from 2004. Heifers comprised 36 percent of steers and heifers on feed; this compares with 34 percent and 38 percent heifers on feed for the same dates in 2005 and 2004, respectively. Fourth-quarter 2006 placements of cattle in 1,000-plus feedlots are also expected to be large, but below fourth quarter 2005 levels, given the current absence of wheat pasture demand and declining feeder cattle prices. However, feeder cattle supplies in 2007 will be tight because of weather-driven, premature placements of lighter-weight cattle into feedlots over much of this year. The present high feedlot inventories will be marketed over the next few quarters. Placements of cattle in feedlots in 2007 will be more moderate because of the makeup of the current cattle-on-feed inventories. Heifers from next year's calf crop are likely to be retained to replace cows that have already gone to slaughter this fall and winter. In addition, feeder cattle prices are expected to be pressured by high corn prices strong demand driven largely by increasing ethanol production, and because of ample, price-depressing supplies of competing meats.

Beef Demand Continues To Hold Its Own

The percentage of steers and heifer carcasses grading Choice or better increased during October 2006, although at the same time, the spread between Choice and Select beef is again widening, near last year's wider spread. Weakness over the last 2 weeks has applied across the meat-poultry complex. However, despite the recent weakness in prices, demand for beef is holding its own in the marketplace, particularly for Choice beef. Compared with this time last year, cattle slaughter, total beef supplies, and supplies of competing meats are all higher. Prices for fed cattle and carcass beef had been running higher than year-earlier prices until early fall. Retail Choice beef prices in October 2006 averaged $3.95 a pound, up from September's $3.93, but down from last year's $3.98.

Beef Trade

Third Quarter Cattle Imports Above Seasonal Norms, Dairy Cattle Exports to Mexico Resume

U.S. cattle imports during the third quarter declined seasonally, but the decline was smaller than usual. Total imports during the third quarter were 418,000 head, with 215,000 coming from Mexico and 203,000 from Canada. This is up 22 percent from the same period last year.

The main source of additional cattle in the third quarter was Mexico, which provided only 130,000 head during the same period in 2005. The United States' cattle imports from Mexico are almost entirely stocker-feeder cattle, and the relatively strong U.S. feeder cattle prices during the third quarter were undoubtedly attractive. U.S. trade data indicate that a slightly larger-than-normal share of imports from Mexico were lighter-weight cattle (in the 200-440 lb. range, versus the 440-700 lb. range) during the summer months, suggesting that some of the third-quarter surge came from cattle that otherwise would have entered the United States later this year. This apparent shift in timing, coupled with the recent decline in U.S. feeder cattle prices as corn prices have risen, suggests that imports from Mexico for the fourth quarter of 2006 should be below fourth-quarter totals in 2005, as well as that expected total 2006 imports of Mexican cattle might not increase substantially.

Imports from Canada in the third quarter were slightly below the third-quarter total in 2005, when the U.S. border had just reopened and Canadian cattle prices were significantly below U.S. prices. The U.S.-Canadian price spread for slaughter cattle has returned to the US$10-14/cwt range in the third quarter after spending most of the second quarter below US$4. According to USDA's Agricultural Marketing Service, about 69 percent of the Canadian cattle that have been imported thus far in 2006 are slaughter steers and heifers, with the remaining 31 percent being feeder cattle. The U.S. border remains closed to Canadian breeding animals and cattle for slaughter over 30 months of age.

The 2006 forecast for total cattle imports was left unchanged this month, at 2.275 million head, as the relatively higher imports of the third quarter are expected to be offset by fourth-quarter imports below levels seen last year. The 2007 forecast of 2.2 million head is also unchanged.

The 2006 cattle export forecast was raised modestly, to 45,000 head, as the slightly higher exports of recent months are expected to continue for the rest of the year. Last month, the 2007 cattle export forecast was raised to 60,000 head in response to the news that Mexico is opening its border to U.S. dairy cattle. Export of these animals was previously excluded due to disease-related issues. No additional changes were made to the 2007 export forecast this month.

Beef Imports Remained Soft the Entire Third Quarter, Fourth Quarter Unchanged

Total beef imports reached only 731 million pounds in the third quarter, down about 7 percent from the second quarter and down over 19 percent from the third quarter of 2005. Beef imports during this period were the lowest in several years with the exception of 2003, when Canadian beef was banned due to the May 2003 discovery of bovine spongiform encephalopathy (BSE), or mad cow disease, in Alberta.

The conditions that triggered the slowdown in U.S. beef imports in early summer persisted through the third quarter, namely, drought in the U.S. and redirected beef trade worldwide. Hot, dry weather throughout the summer in the Plains, Southeast, and some western States seriously reduced forage production and grazing conditions, and cow culling exceeded its normal seasonal levels through the entire summer and into the fall. The resulting higher domestic production of lean beef reduced the demand for imported lean beef. Some culling is expected to continue through the winter as producers cope with limited hay and forage supplies.

Shifting beef trade patterns around the world also affected U.S. import levels. Uruguay continues to supply beef to markets formerly serviced by Brazil and Argentina. Brazil faced some restrictions on its beef exports when foot-and-mouth disease was reported in southern provinces in early 2006, and some of these restrictions are still in place. In early 2006, Argentina limited its beef exports in an attempt to keep domestic beef prices down. These restrictions have been eased somewhat but not eliminated. As a result, total year-to-date beef exports from Uruguay are up 14 percent but down by 47 percent to the United States.

Australia and New Zealand are still focusing on supplying Asian markets, where they can receive higher prices on their beef than in the United States. U.S. beef exports to Japan and South Korea have not displaced Australian or New Zealand beef to any significant degree so far. Australia is experiencing a significant drought, which has seriously reduced its grain production and raised the cost of producing fed beef, which goes primarily to Japan and South Korea. However, higher slaughter of grass-fed cattle in Australia has not translated into higher exports to the United States so far.

The U.S. beef import forecast was left unchanged for the fourth quarter of 2006, at 755 million pounds. This is down slightly from 2005, but represents more normal seasonal patterns. Domestic cow culling is forecast higher than last year in the fourth quarter, but not at levels that would have the impact on imports seen in the third quarter. The 2007 beef import forecast is unchanged.

Beef Exports Continue Recovery; Japan and South Korea Now Open

Beef exports in the third quarter reached 307 million pounds, more than double the export total from the same period in 2005. While important Asian markets have reopened to U.S. beef, the strength seen to date is the result of exports to Mexico and Canada returning to pre-BSE levels.

U.S. beef exports to Canada jumped sharply in the second quarter of 2006 and were sustained above 20 million pounds per month through the third quarter. Part of the explanation was the differential in beef cutout values: Canadian prices came down more slowly through this period than U.S. prices, so U.S. beef was attractive while the differential persisted. The Canadian AAA (comparable to U.S. Choice) cutout price was above C$170 (about US$151) most of third quarter and only dropped below C$165 (about US$146) in October. Exports to Canada are expected to remain strong into 2007.

The biggest customer for U.S. beef, however, has been Mexico, which is on a pace to shatter its previous record of 629 million pounds of U.S. beef bought in 2002. The same factors supporting the Mexican market earlier are still at work: a healthy Mexican economy, large U.S. beef supplies, and U.S. beef prices constant or declining in nominal terms. The reopening of the Asian markets has not appeared to reduce exports to Mexico to date.

As mentioned, both Japan and South Korea reopened their markets to U.S. beef in the third quarter. Japan was the top destination for U.S. beef for many years prior to the U.S. BSE discovery in December 2003, and South Korea had pulled even with Mexico as the number two U.S. customer. Small amounts of U.S. beef have started moving into Japan, as beef prices there are relatively high and consumers are beginning to accept U.S. beef again. However, exports seem constrained on the supply side by the requirement that this beef may only come from animals under 21 months of age. South Korea agreed in September to begin accepting U.S. beef again, with the restrictions that it be boneless product from animals less than 30 months of age. At this date, only a limited amount of beef has gone to South Korea, apparently due to uncertainty regarding how shipments with bone fragments or other non-permitted materials might be handled.

The beef export forecast for the fourth quarter of 2006 was also raised by 10 million pounds from last month, to better reflect the strength seen in exports to Mexico and Canada, which is expected to continue. The forecast for 2007 was unchanged.

Dairy

Moderate Milk Production Increases and Robust Demand Point to Higher Prices in 2007

Current USDA estimates place 2006 milk production at 181.9 billion pounds, a 2.8-percent increase above 2005. This is below the 3.5 percent increase a year earlier, but still above the five year average of 1-to-2 percent growth. Forecast milk production in 2007 is 183 billion pounds, less than a 1-percent increase over 2006. Cow numbers will likely decline slightly in 2007 compared with 2006; however, production per cow will continue to increase, albeit at a lower rate than in 2006. Rising feed prices, especially for corn due to increasing ethanol production, are squeezing milk-feed price ratios and are likely to continue to do so well into 2007.

The cheese market is roughly in balance but inventories of "other cheeses" are above those of last year. Demand for cheese remains strong, especially for mozzarella. Some reallocation of production to dry products could occur in the balance of 2006. Although cheese demand is strong, supplies are such that any further large rise in prices in the balance of 2006 and the first half of 2007 are unlikely. The season average price for cheese is projected at $1.230 to $1.240 a pound for 2006. In 2007, the price is forecast at $1.305 to $1.395 a pound. Smaller increases in milk production in 2007, coupled with strong demand for all dairy products, are the basis for a higher 2007 cheese price. Whey supplies could tighten further as milk is directed toward Nonfat Dry Milk (NDM) and Skim Milk Powder (SMP) production. Whey prices are projected to average 32.0 to 33.0 cents a pound in the current year and 30.0 to 33.0 cents a pound in 2007.

The market for NDM, SMP, and whey remains very tight. There are reports of orders being delayed or shorted. Cumulative exports of SMP were trailing year-earlier levels through May; however, the gap had nearly disappeared by September. Tight domestic supplies have also contributed to high prices. Exports of NDM and SMP could range higher in 2007 because of strong international demand induced by a relatively weaker U.S. dollar and lower availabilities from Australia and the European Union. Higher prices are also aided by lower global total stocks of dairy products. A reallocation of milk to Class IV uses would boost Class III prices, keeping cheese and whey prices firm.

An increase in Class IV use to augment NDM/SMP supplies could soften butter prices in the balance of 2006 and into 2007. However, demand for butter remains seasonally strong and lower prices are encouraging additional retail activity. Butter stocks are ample to meet additional demand. The butter price is expected to average $1.205 to $1.235 a pound in 2006 and $1.250 to $1.370 a pound in 2007.

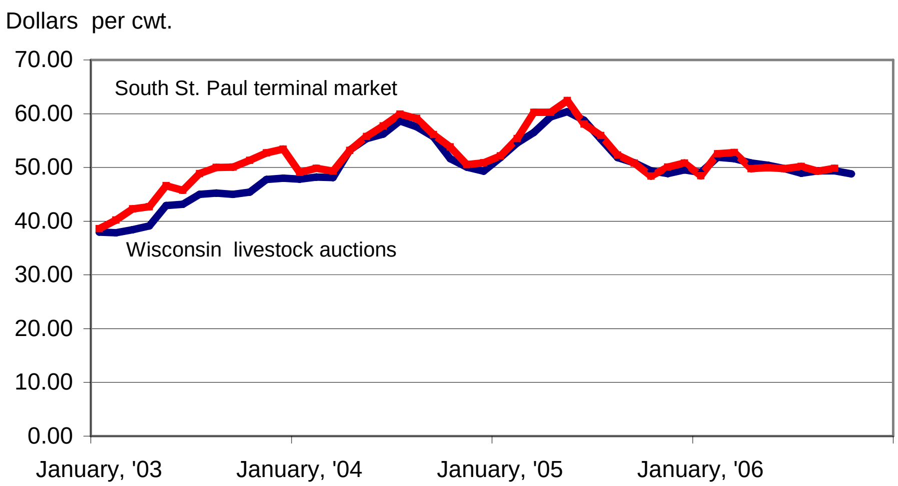
The expected modest increase in milk production in 2007 in the face of strong product demand should boost milk prices in 2007. The Class IV price is expected to average $10.95 to $11.15 in 2006 and rise to $11.20 to $12.20 in 2007. The Class III price is projected at $11.70 to $11.80 in 2006, climbing to $12.40 to $13.30 in 2007. The expected average all milk price is estimated to be $12.80 to $12.90 in 2006 and $13.40 to $14.30 in 2007.

Data Change Coming

Data Change Coming in the Dairy Situation-At-A-Glance Table

Over time, data series undergo changes and in some cases are discontinued. ERS has been reporting a monthly South St. Paul terminal market price for slaughter cows for several years, beginning in 2003, as an indicator of cull dairy cow value. This price was reported as a range in the *Dairy Market News* published by the Agricultural Marketing Service of USDA. As of October 1, 2006, the South St. Paul price is no longer reported. The price of slaughter cows at Wisconsin livestock auctions, another price also reported as a range in the *Dairy Market News*, will replace the discontinued price series. The chart below shows how monthly average values for the two series compared for the January 2005-September 2006 period. In general, they track reasonably well. The data behind the chart are shown in the table.

Monthly slaughter cow prices compared, January 2003-September 2006



Monthly slaughter cow prices[1]

		Wisconsin livestock auctions	South St. Paul terminal market
		Dollars per cwt	
2003			
	January	37.97	38.63
	February	37.88	40.22
	March	38.44	42.31
	April	39.13	42.68
	May	42.92	46.59
	June	43.13	45.75
	July	45.00	48.88
	August	45.25	50.00
	September	45.00	50.09
	October	45.40	51.35
	November	47.75	52.69
	December	48.00	53.43
2004			
	January	47.84	49.09
	February	48.25	49.83
	March	48.10	49.30
	April	53.25	53.19
	May	55.34	55.75
	June	56.25	57.70
	July	58.63	59.94
	August	57.56	59.13
	September	55.69	56.10
	October	51.63	53.81
	November	50.06	50.50
	December	49.31	50.85
2005			
	January	51.88	52.13
	February	54.56	55.38
	March	56.50	60.28
	April	59.38	60.25
	May	60.38	62.44
	June	58.75	58.05
	July	55.25	55.94
	August	51.85	52.30
	September	50.88	50.81
	October	49.38	48.38
	November	48.85	50.05
	December	49.56	50.81
2006			
	January	49.06	48.44
	February	51.94	52.56
	March	51.65	52.80
	April	50.81	49.75
	May	50.40	49.95
	June	49.75	49.75
	July	48.94	50.19
	August	49.35	49.30
	September	49.38	49.81
	October	48.81	
	November		
	December		

[1] Compiled from AMS *Dairy Market News* by Economic Research Service, USDA.

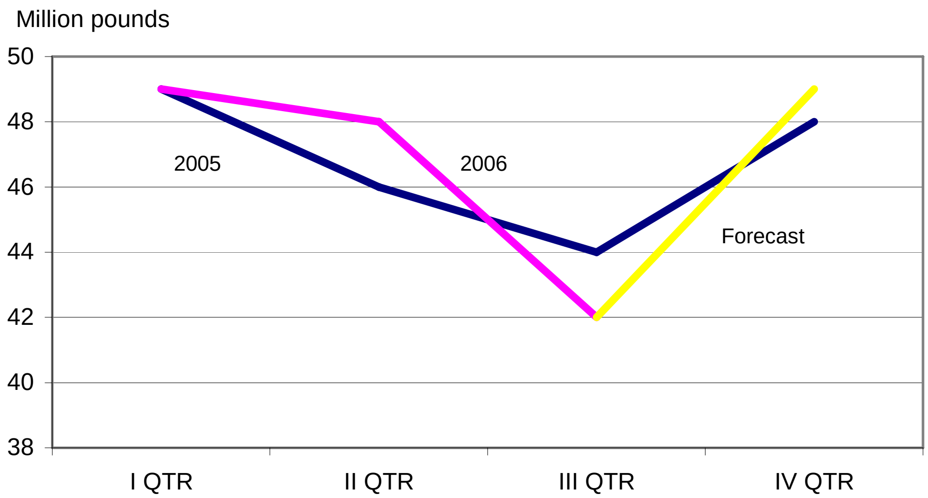
Sheep/Lamb

Third-Quarter Lamb and Mutton Production Down; Stocks Up

For third-quarter 2006, commercial production of lamb and mutton totaled 42 million pounds, 5 percent lower than for the same period in 2005. Lamb supply and demand are both usually at their lowest point during the third quarter of each year. The lower third-quarter production this year could be attributed to a several factors. First, the second-and third-quarter cull rates were higher than normal. Culled animals are normally lighter-weight ewes. Additionally, a significant portion of the culled animals were exported to Mexico in the live animal trade. Live sheep exports to Mexico for the first 9 months of 2006 were 75,000 head, already above the 12 months of 2005. Due to the BSE-related restrictions on trade which were lifted in July of 2005, only 70,000 head of live sheep were exported in 2005.

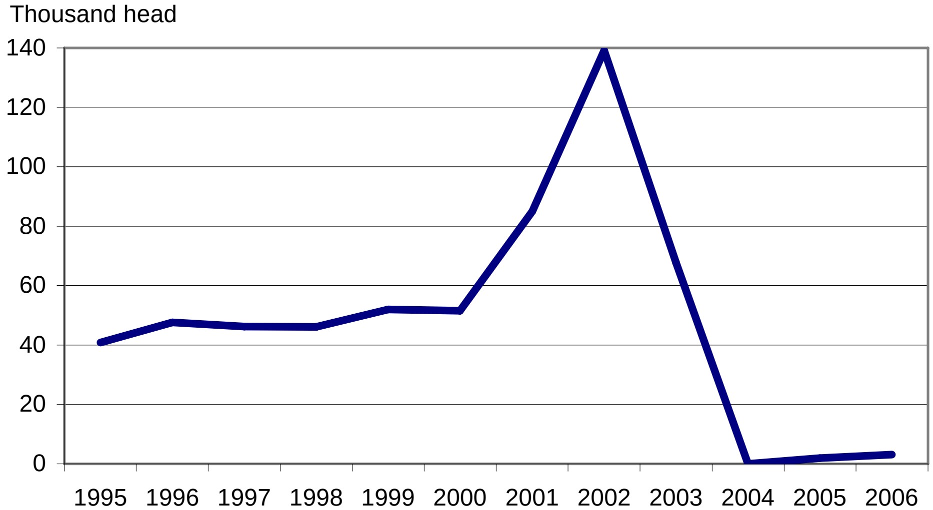
Second, imports of live slaughter lambs from Canada are well below historical levels. Slaughter lambs from Canada have been known to supplement domestic production, especially during periods of tight supply. Live imports from Canada were restricted in May of 2003, but resumed in July 2005. For the 5 years prior to the restriction, third-quarter live imports levels were consistently around 5,000 head. At an average dressed weight of 64 pounds, this translates to an additional 320,000 pounds in third-quarter production quantities. For the third-quarter 2006, there were no live imports from Canada and only 3,125 head have been imported for the year to date, all during the January to May period. Live imports are not expected to show much improvement in the fourth quarter. Demand for live imports is generally lowest in the fourth quarter due to the increase in supply of new-crop domestic lambs.

Quarterly commercial lamb and mutton production, 2005 and 2006



Source: *Livestock Slaughter Report*, NASS, USDA.

Live sheep imports, 1995-2006



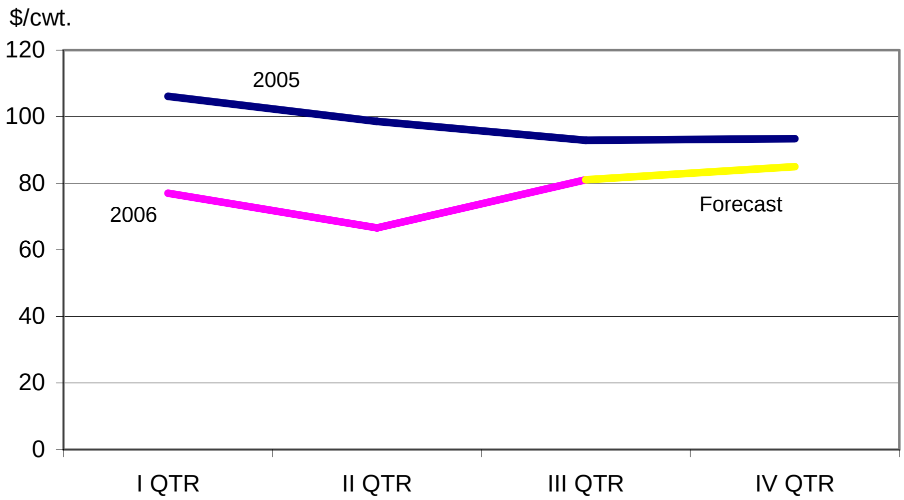
Source: U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics.

Third, the industry is still faced with higher-than-normal cold storage stocks. Cold storage stocks showed a significant increase in the third quarter of 2005 to nearly 11 million pounds, but for the next 12 months showed little change. These stocks have weighed on the industry in 2006 and have dampened price recovery during this year. Third-quarter 2006 ending stocks of lamb and mutton in cold storage increased dramatically from 11 million to 25 million pounds. Much of that increase can be attributed to enhanced reporting by previously noncompliant cold storage plants. Cold storage reporting is a completely voluntary process other than for dairy products which is now mandatory. Stocks of lamb and mutton in cold storage could continue to negatively impact prices at all levels in the industry.

Finally, the third-quarter total lamb and mutton disappearance is generally lowest (total disappearance is the sum of production, net trade, and net cold storage stocks). Third-quarter 2006 total disappearance was 64 million pounds (42 million pounds from domestic production), 20 percent below the same period last year. Seasonal increases in demand for fourth-quarter 2006 are expected to push production up to 49 million pounds, equaling the same period in 2005. A more-than-normal drawdown in breeding stock due to culling and a lower-than-normal 2006 lamb crop could weigh on production well into 2007.

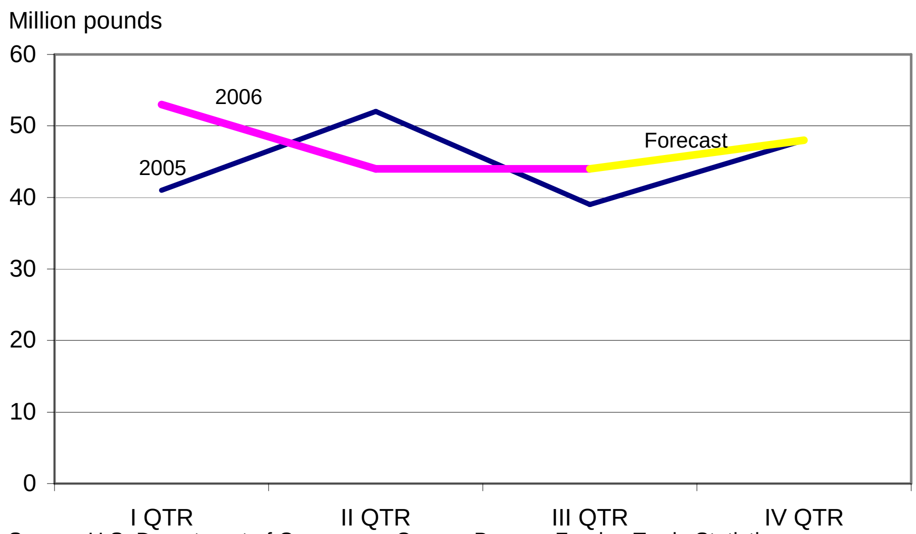
Third-quarter 2006 slaughter lamb prices have shown modest increases. Choice Slaughter lamb prices at San Angelo, Texas, averaged $77.03 per cwt during first-quarter 2006, but dropped to $66.56 per cwt in the second quarter. A buildup of over-finished animals on the market contributed to this precipitous drop in prices. In the third quarter, Choice Slaughter lamb prices at San Angelo recovered and increased to an average of $81.10 per cwt. However, the price recovery was fairly modest, even though supplies were tight for much of the third quarter and over-finished animals had cleared out of the market. Softer-than-normal demand and stocks in cold storage dampened the rate of price increases, but fourth-quarter 2006 Choice Slaughter lamb prices at San Angelo are expected to continue to rebound due to seasonal increases in demand and is forecast at about $85.00 per cwt.

Quarterly price of Choice slaughter lamb at San Angelo, 2005 and 2006



Source: *Livestock Meat and Wool* report, AMS/USDA.

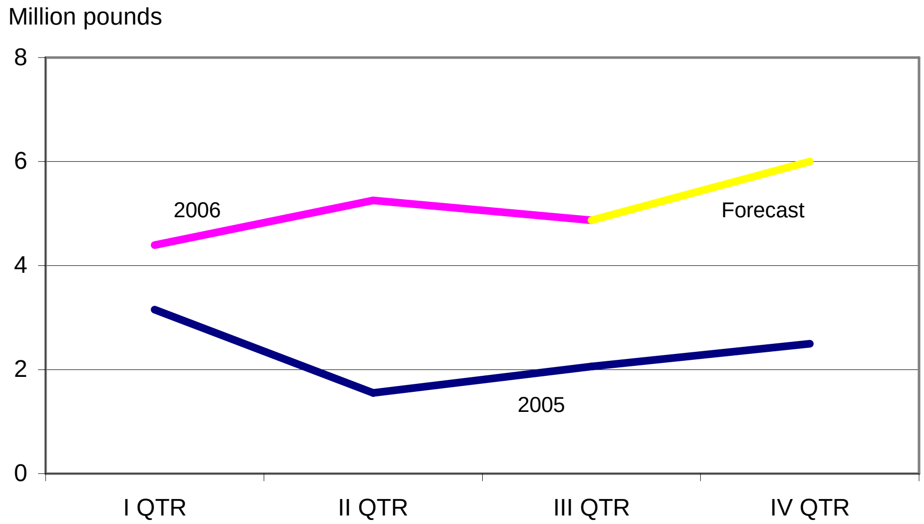
Quarterly lamb and mutton imports, 2005 and 2006



Source: U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics.

Despite softer third-quarter demand, imports of lamb and mutton continue at a fairly rapid pace. Third-quarter 2006 lamb and mutton imports came in at 41 million pounds, 5 percent above the same period last year, fueled mainly by increased production in Australia. Australia is currently experiencing protracted drought conditions that are causing higher-than-normal liquidation of sheep herds. The increased production has resulted in corresponding increases in exports, particularly to the United States. Fourth-quarter imports are forecast at around 48 million pounds, matching the same period last year and reflecting the increase in fourth-quarter seasonal demand.

Quarterly lamb and mutton exports, 2005 and 2006



Source: U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics.

Lamb and mutton exports continue to be strong compared with previous years, and the ratio of mutton to lamb exports remains high. Of the 5 million pounds of lamb and mutton exported in second-quarter 2006, most was mutton (98 percent). This reflects the large number of older animals that were culled during that period. Third-quarter exports are the same as the previous quarter and 150 percent greater than the same period last year, but mutton exports are just over 90 percent. Exports are expected to remain strong in the fourth quarter and are forecast at around 6 million pounds.

Hogs/Pork

Fourth Quarter Begins on a Positive Note

The fourth quarter is typically the period of the year when pork production achieves its annual high, driving hog prices to their annual lows. Fourth-quarter 2006 opened with a very large slaughter, but hog prices moved only slightly lower in response. October estimated federally inspected hog slaughter was more than 6 percent above a year ago, while live-equivalent prices of 51-52 percent lean hogs were $47.57 per cwt, just 0.7 percent below October 2005. A significantly larger slaughter, accompanied by a small dropoff in prices, indicates strong demand for live hogs, which in turn derives from strong demand for pork products. USDA added $2 to its fourth-quarter hog price forecast, with prices now expected to range between $45 and $47 per cwt. Fourth-quarter pork production is expected to be about 5.7 million pounds, or almost 3 percent above the same period last year.

Third Quarter Retail Prices Strong, Despite Competition From Other Meats

The average American consumed 0.4 pound less pork in the third quarter than last year at the same time, but paid slightly more than 1 percent more per pound at retail. Per capita pork consumption was 11.9 pounds in the third quarter, compared with 12.3 pounds a year ago. Third-quarter retail prices were $2.86 per pound, or 3 cents higher than third quarter a year ago. Slightly higher retail prices reflect, in part, a small increase in the farm-to-retail spread, compared with the same period in 2005. Higher retail pork prices come at the same time that beef prices are stable, at about $3.93 per pound, and retail young-chicken composite prices are below a year ago. Given larger anticipated fourth-quarter pork supplies, October-December retail prices are expected to drop off a bit, to the low $2.80s.

Third Quarter Pork Exports Increase

The U.S. pork industry exported almost 220 million pounds of pork in September, over 7 percent more than in September 2005. Exports for the quarter were more than 653 million pounds, almost 4 percent greater than in the same period a year ago. On a cumulative, 9-month basis, U.S. exporters have shipped almost 12 percent more pork to foreign markets than in the first 9 months of 2005.

Of the three countries that typically account for the lion's share of U.S. pork exports--Japan, Mexico, and Canada--Mexico and Canada have registered year-over-year increases. In 2005, Mexico and Canada accounted for 31 percent of U.S. pork exports, and that share has increased slightly this year to 32 percent. Japan, on the other hand, continues as the largest foreign destination for U.S. pork. But cumulative, year-over-year export quantities are almost 8 percent lower than in January-September 2005. So far this year, Japan accounts for a significantly lower share of U.S. exports. Last year Japan's 9-month average share was 41 percent. This year, Japan has accounted for 33 percent--still the largest of any foreign customer, but much smaller than a year ago.

Through September of this year, U.S. export volumes and average export shares of such countries/regions as Russia, South Korea, Hong Kong, Taiwan, Central and South America, the Caribbean, and Europe have increased.

U.S. pork exports*					Average share of U.S. exports*	
	2006	2005	Percent chg.		2006	2005
	(million pounds)		(06/05)		(Percent)	
Japan	740	804	-8		33	41
Mexico	452	381	19		22	20
Canada	239	222	8		10	11
				Total	65	72

* January-September
Source: USDA\ERS, http://www.ers.usda.gov/Data/MeatTrade/

Imports Lower So Far in 2006

U.S. importers bought more than 74 million pounds of foreign pork in September, about 14 percent less than in September 2005. For the January-September period, U.S. imports of 735 million pounds were 1.5 percent below a year ago. Most U.S. pork imports originate from Canada and Denmark. So far this year 79 percent of imports have originated from Canada and about 11 percent from Denmark. Third-quarter imports from Denmark are off by more than 21 percent. Imports from Canada are down more than 6 percent.

Exchange rates are the variables most likely responsible for driving imports lower. The low-valued dollar, relative to the Canadian and Danish currencies, make imported pork products more expensive than they would be otherwise, causing importers to reduce import quantities.

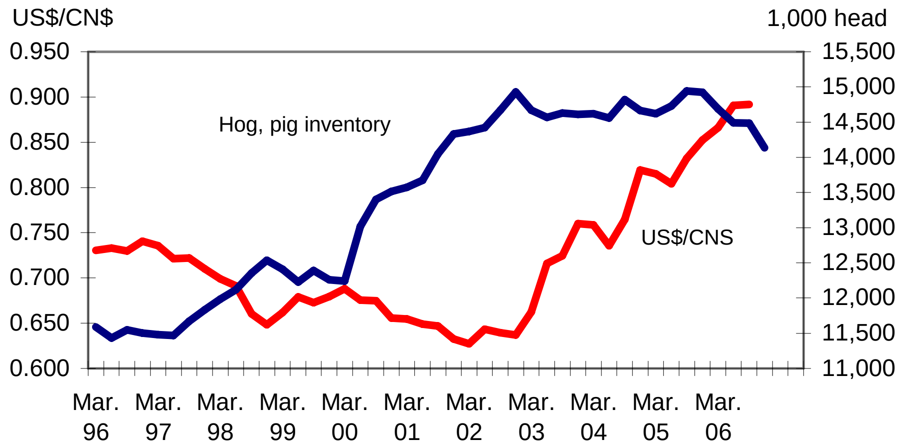
Canadian Pork Sector: Big Problems Up North

Data published by the Government of Canada corroborate the conventional wisdom that says the Canadian swine and pork industry, as it is structured and functions today, was largely built on a $0.65 Canadian dollar. The figures below show that strong inventory growth occurred during the 2000-2002 period, when the value of the Canadian dollar averaged $0.65.

The Canadian dollar is currently trading closer to $0.90. For the pork side of the industry, a more expensive Canadian dollar means that many pork importers can buy more pork when the products are valued in (low-valued) U.S. dollars, than when the same products are valued in (high-valued) Canadian dollars. The high-valued Canadian dollar thus creates an incentive for pork importers to buy U.S. pork products rather than Canadian pork. In fact, to date U.S. pork exports are almost 12 percent higher than a year ago, whereas Canadian pork exports have increased only 1 percent. Because the financial health of the Canadian pork industry is so dependent on exports--more than 50 percent of Canadian pork production is typically exported each year--the relatively high value of the Canadian dollar creates serious problems for the pork industry in Canada.

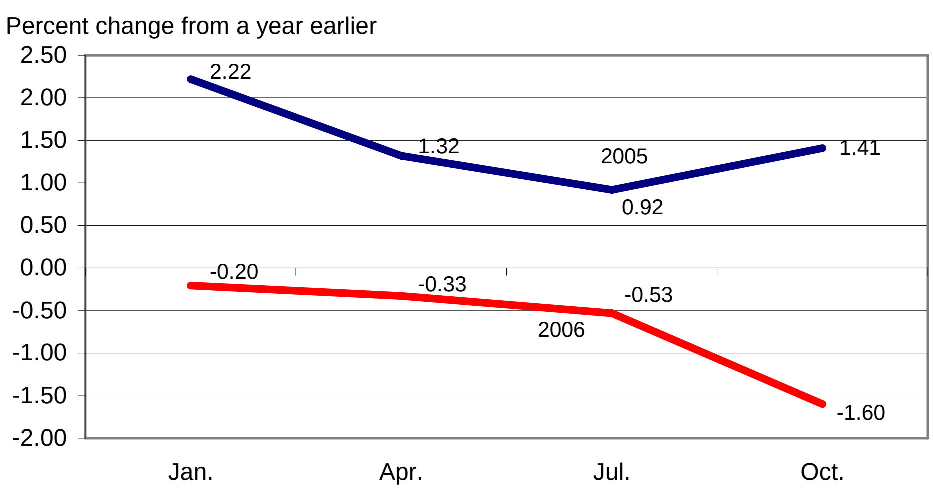
The loss of the Canadian pork industry's competitiveness in international markets due to a high-valued currency may be a factor contributing to the problems that

Quarterly Canadian swine inventories, U.S.-Canada exchange rate, 1996-2006



Source: *Hog Statistics* . Statistics Canada. Board of Govenors of the Federal Reserve System. Foreign Exchange Rates.

Year-over-year percent changes in Canadian quarterly breeding herd inventory, for 2005 and 2006



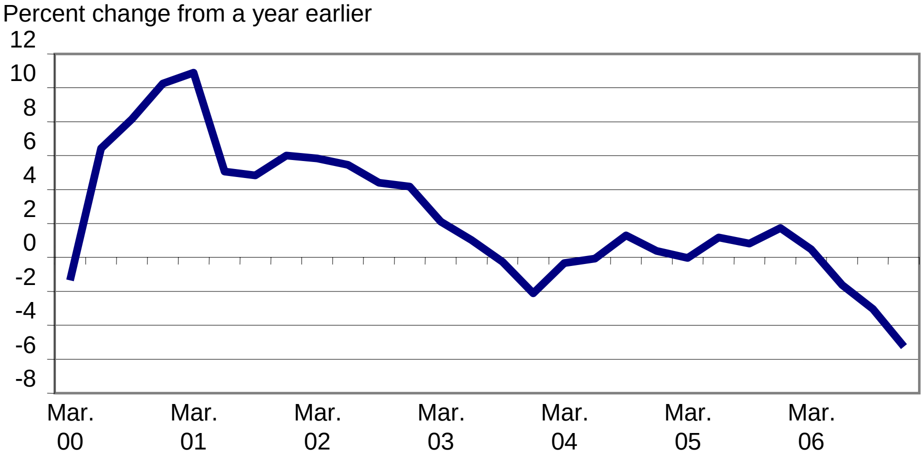
Source: *Hog Statistics* . Statistics Canada, October 2006.

Canada's largest packers--Maple Leaf Foods and Olymel--are currently experiencing. Maple Leaf Foods recently announced a plan to close all but one of its packing plants by 2009, while Olymel signaled its intention to remedy the problems it is experiencing in Quebec's pork industry.

Hog Statistics Reflect Industry Problems

Quarterly statistics published by Statistics Canada in October depict an industry that is beginning to contract. The *Hog Statistics* report shows accelerating reductions in quarterly breeding stock inventories in each quarter of this year (see figure).

Year-over-year percent change of total Canadian swine inventory, 2000-2006



Source: *Hog Statistics,* Statistics Canada.

Year-over-year percent changes in quarterly total swine inventories have been negative and accelerating since the first quarter of this year (see figure).

The dependence of the Canadian pork industry on foreign markets makes it likely that the Canadian dollar exchange rate is at least one of the variables squeezing profitability, particularly for meat, leading to a reduction in animal and breeding numbers.

High Canadian Dollar Harms Swine Exports Relatively Less Than Meat Exports

U.S. packers and swine finishers imported 2.2 million head of slaughter hogs and animals for finishing in the third quarter. Slaughter hogs comprised 29 percent of July-September imports; 69 percent were animals for finishing. Last year at the same time, slaughter hogs were 34 percent of third-quarter imports and animals for finishing were 65 percent. Total-third quarter imports were slightly more than 2 percent greater, compared with the same period last year.

State of entry import data, published by USDA's Agricultural Marketing Service, show that the greatest proportion of Canadian swine enter the United States through North Dakota, and Michigan. These States are contiguous with Manitoba and Ontario, provinces that account for 21 percent and 25 percent of the Canadian hog inventory, respectively. A significant percentage of operations in Manitoba, in particular, specialize in the production and export of animals for finishing. Canadian statistics indicate that Manitoba and Ontario are responsible for the majority of live international exports.

The State of entry numbers indicate that imports through both North Dakota and Michigan increased strongly in the first three quarters of 2006 (see table). Quarterly imports of finishing animals through North Dakota increased at strong uniform rates. Slaughter hog imports through North Dakota however, appeared to increase

Canadian live animal imports by state of entry

	North Dakota		Michigan	
	Finishing	Slaughter	Finishing	Slaughter
2005				
i	929,050	207,857	206,894	146,890
ii	1,005,023	221,972	276,903	147,743
iii	1,047,283	352,797	300,534	186,347
iv	1,009,363	372,372	321,161	186,849
Ttl. i-iii	2,981,356	782,626	784,331	480,980
2006				
i	1,092,572	252,460	345,022	172,690
ii	1,128,352	232,458	296,993	157,145
iii	1,198,677	274,477	293,042	199,711
iv				
Ttl. i-iii	3,419,601	759,395	935,057	529,546
Percent change, (2006/2005)				
i	17.6	21.5	66.8	17.6
ii	12.3	4.7	7.3	6.4
iii	14.5	-22.2	-2.5	7.2
Ttl. i-iii	14.7	-3.0	19.2	10.1

Source: Canadian Live Animal Imports by State of Entry.
Agricultural Marketing Service/USDA.
http://www.ams.usda.gov/lsmnpubs/canada.htm

2005, 2006 quarterly inventories of sows and bred gilts for Manitoba and Ontario

	Manitoba	Ontario
2005		
i	368	433
ii	370	429
iii	367	430
iv	367	432
2006		
i	372	427
ii	373	426
iii	377	425
iv	374	421
Percent Change, (2006/2005)		
i	1.1	-1.4
ii	0.6	-0.7
iii	2.8	-1.1
iv	1.9	-2.6

Source: Hog Statistics, Statistics Canada.
http://www.statcan.ca/bsolc/english/bsolc?catno=23-010-X&CHROPG=1

and decrease with more variability, suggesting that Canadian producers shipping slaughter hogs through that state treat U.S. packers as residual buyers.

Ontario swine operations are more evenly distributed between those specialized in producing and exporting animals for finishing and slaughter hog production. In the first three quarters of 2006, animals for finishing imports through Michigan increased more than 19 percent, with most of the increase in the first quarter. The threat of a Canadian countervail on imported U.S. corn earlier this year likely accounts for the large first-quarter year-over-year increases in imports through Michigan. Year-over-year quarterly increases were smaller in succeeding periods, with a year-over-year decline in the number of animals for finishing in the third quarter.

The data detailing swine imports through North Dakota, together with Manitoba breeding herd inventory changes, suggest that the swine export side of the Canadian swine and pork industry is not being squeezed as hard by the unfavorable U.S.-Canadian exchange rate, as the meat export side of the industry (see table). Breeding herd inventory changes indicate that this year Manitoba breeding herd numbers actually increased, relative to 2005. Ontario breeding herd numbers declined in each quarter.

This is not to say that finishing animal exporters are not being pressured by the high-valued Canadian dollar. The more expensive Canadian dollar, means that a Canadian producer of animals for finishing who sells a pig for $32 in the United States receives about 36 $CN after exchanging currencies at a rate of $0.90, rather than the 49 $CN received when Canadian dollars cost $0.65. So the 41-percent appreciation of the Canadian dollar (between September 2002 and September 2006) in all likelihood puts export-dependent Canadian animals for finishing businesses under financial stress. But breeding herd inventory statistics indicate that Manitoba's operations, unlike Ontario's, are not contracting.

The contrast between Manitoba and Ontario, in terms of breeding herd changes, may simply be another indicator of the longstanding challenges faced by the Canadian slaughter industry. Until Maple Leaf Foods announced its intention to close all of its slaughter plants except its newest plant in Brandon, Manitoba, the industry struggled to maintain international competitiveness with a set of small, aging, single-shift slaughter plants. The animals for finishing side of the industry obviously circumvents the high-cost, noncompetitive slaughter component of the industry altogether, allowing it to compete on its strengths--among them, high productivity relative to U.S. operations--rather than on its weaknesses, even under some fairly adverse exchange rate conditions.

Poultry

Broiler Production Forecast Higher in Fourth Quarter

Federally inspected broiler meat production in fourth-quarter 2006 is forecast at 8.9 billion pounds, almost identical to a year ago. In the fourth quarter, a reduction in the number of birds slaughtered is expected to be offset by higher average weights. U.S. broiler production in the third-quarter 2006 was 8.88 billion pounds, down 0.7 percent from a year earlier. The quarterly decline in broiler meat production was the first since first-quarter 2003. The lower meat production was chiefly the result of a smaller number of birds slaughtered (down 1.9 percent). This decline in birds slaughtered was partially offset by an increase in average weights.

The current low wholesale prices for most broiler products, combined with the expectations of higher feed prices, is expected to have a depressing effect on broiler meat production in 2007. The forecast for 2007 was reduced by 250 million pounds to 5.33 billion, an increase of only 1.3 percent from 2006.

The weekly broiler hatchery report showed that over the last 5 weeks (Oct. 7 through Nov. 4), the number of broiler chicks placed for grow-out averaged 0.6 percent lower than in the same period in 2005. The data for eggs placed in incubators over the last 3 weeks points toward chick placements in the coming weeks continuing to be below those of last year.

Third-Quarter Broiler Ending Stocks Lower

Falling prices for most broiler products have not been caused by larger supplies of cold storage stocks. Lower broiler production in the third quarter pushed down ending broiler stocks to 713 million pounds, down 5.4 percent from the same period in 2005 and down almost 8 percent from the end of third-quarter 2004. A reduction in the stocks of broiler parts makes up most of the decline in cold storage holdings. Parts stocks were down 4.8 percent from the same period in 2005. Cold storage holdings varied widely, depending on the specific part. At the end of September, stocks of leg quarters were down 18 percent and leg stocks were 16 percent lower, while holdings of thigh meat were up 65 percent from the previous year.

At the end of third-quarter 2006, cold storage holdings of whole broilers, which are only a small percentage of overall broiler stocks, were 16.7 million pounds, down 24 percent from the previous year. This sharp decrease in cold storage holdings of whole broilers is one explanation of why whole bird prices have not declined as heavily over the last 2 months.

Even with a decline in broiler production in the third quarter of 2006 and lower ending stocks, prices for most poultry products have fallen in September and October. Northeast boneless/skinless breast meat prices were $1.03 per pound in October, down 13 percent from a year earlier. Since August, prices for breast meat products have declined by about 30 cents per pound. Prices for most other broiler products have also declined. Prices for leg quarters and thighs in the Northeast market were $0.29 and $0.36 per pound in October, down 36 and 43 percent, respectively, from a year earlier. With production expected to be basically unchanged in fourth-quarter 2006 compared with the previous year, prices for broiler products are expected to remain depressed through the end of the year.

Turkey Production Rises

U.S. turkey production in third-quarter 2006 was 1.42 billion pounds, up 3.2 percent from a year earlier. The increase in production was the result of a higher number of birds being slaughtered (up 1.9 percent) and an increase in average weight to 27.8 pounds. Federally inspected turkey production in the fourth quarter of 2006 is forecast at 1.46 billion pounds, slightly higher than during the same period in 2005. Turkey production is expected to increase slightly in 2007 in response to the higher prices seen throughout 2006, early 2007.

Even with higher third-quarter production and only a slight gain in exports, ending stocks for the third quarter were down from last year. Cold storage holdings of whole turkeys at the end of September were estimated at 233 million pounds, down 12 percent from the same period last year. Cold storage holdings of turkey parts were also down. Stocks of turkey parts at the end of September were estimated at 230 million pounds, up 8 percent from a year earlier. Total third-quarter ending stocks for turkey were 463 million pounds, a decrease of 3 percent from a year earlier.

Over the first three quarters of 2006, turkey meat production has totaled 4.2 billion pounds. This is approximately what turkey production was during the first three quarters of 2003. At this point it seems that market demand has finally caught up to the current production level. The restrained domestic production has led to falling stock levels, which have helped to push whole turkey prices higher, especially over the last 2 months. The price for whole hens in the Eastern region was 95.8 cents per pound in October, up 16 percent (a bit over 13 cents per pound) from a year earlier. Prices for whole birds and turkey parts are expected to remain strong through the Thanksgiving period and then decline seasonally, but remain above year-earlier levels. With higher production expected to be somewhat offset by higher exports, turkey prices are expected to remain strong through the first half of 2007.

Poultry Trade

Broiler Exports Decline in September

Broiler exports for the last month in the third-quarter totaled 360 million pounds, down 5 percent from a year ago. While the decline in shipments year-over-year was relatively small, the change in shipments from August to September was large, considering that last year there were trade disruptions along the U.S. Gulf Coasts, which was the reason for low broiler shipments in September 2005. One of the factors partially responsible for the reduction in U.S. broiler shipments was increasing leg-quarter prices. Prices in the Northeast rose from under 30 cents in early June to peak at nearly 40 cents in late August. Price-sensitive countries like Cuba, the Baltic countries, and other importers of U.S. broilers reduced their broiler demands considerably during September. In addition to the price impacts, exports to Russia were likely limited by large purchases made earlier in the year.

Turkey Exports Fall in September

Turkey exports totaled 49 million pounds in September 2006, down 6 percent from a year ago. The chief reason for the decline in turkey shipments was due to an increase in turkey prices. Whole turkey prices rose by 4 cents after experiencing one of the largest monthly export shipments (in August 2006 totaling 55 million pounds) recorded in the past decade. In spite of the fall in turkey shipments for September, third-quarter turkey exports totaled 152 million.

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Meat Price Spreads, http://www.ers.usda.gov/Data/MeatPriceSpreads/, 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/MeatTrade/, 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

Animal Production and Marketing Issues,
http://www.ers.usda.gov/briefing/AnimalProducts/
Cattle, http://www.ers.usda.gov/briefing/cattle/
Dairy, http://www.ers.usda.gov/briefing/dairy/
Hogs, http://www.ers.usda.gov/briefing/hogs/
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U.S. red meat and poultry forecasts

	2004	2005	2006					2007			
	Annual	Annual	I	II	III	IV	Annual	I	II	III	Annual
Production, million lb											
Beef	24,548	24,683	6,078	6,699	6,808	6,385	25,970	6,375	6,800	7,000	26,700
Pork	20,509	20,684	5,321	4,998	5,071	5,675	21,065	5,375	5,250	5,375	21,850
Lamb and mutton	195	187	49	48	42	49	188	48	46	44	186
Broilers	34,063	35,365	8,937	9,129	8,880	8,900	35,846	8,950	9,125	9,150	36,325
Turkeys	5,454	5,504	1,354	1,440	1,419	1,455	5,668	1,390	1,460	1,440	5,760
Total red meat & poultry	85,441	87,097	21,902	22,483	22,384	22,629	89,398	22,302	22,849	23,177	91,495
Table eggs, mil. doz.	6,365	6,411	1,612	1,611	1,624	1,655	6,502	1,625	1,635	1,650	6,585
Per capita consumption, retail lb 1/											
Beef	66.1	65.5	15.8	16.8	16.8	16	65.5	16.0	17.1	17.3	66.5
Pork	51.3	50.0	12.3	11.9	11.9	13.3	49.5	12.3	12.4	12.7	50.9
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.3	0.2	1.1
Broilers	84.3	85.8	21.8	22.5	21.5	21.1	86.9	21.4	21.9	21.8	86.4
Turkeys	17.1	16.7	3.6	3.9	4.2	5.1	16.7	3.5	3.9	4.3	16.8
Total red meat & poultry	221.4	220.9	54.2	55.8	55.2	56.2	221.4	54.1	56.0	56.8	223.3
Eggs, number	257.2	255.1	63.9	63.5	64.1	65.1	256.4	63.9	64.2	64.8	258.4
Market prices											
Choice steers, Neb., $/cwt	84.75	87.28	89.24	80.39	85.40	87-89	85.76	83-89	83-89	81-87	82-88
Feeder steers, Ok City, $/cwt	104.76	110.94	106.80	104.08	115.17	102-104	109.76	101-107	101-107	97-103	99-105
Boning utility cows, S. Falls, $/cwt	52.35	54.36	48.89	47.79	49.28	48-50	48.74	49-51	49-51	47-53	47-53
Choice slaughter lambs, San Angelo, $/cwt	96.69	97.76	77.03	66.56	81.10	84-86	77.42	83-89	82-88	81-87	82-88
Barrows & gilts, N. base, l.e. $/cwt	52.51	50.05	42.63	48.45	51.83	45-47	47.23	41-43	40-44	41-45	40-43
Broilers, 12 City, cents/lb	74.10	70.80	62.70	61.00	67.8	63-65	63.90	62-66	61-67	64-70	63-68
Turkeys, Eastern, cents/lb	69.70	73.40	67.30	71.30	79.4	93-95	78	67-71	68-74	71-77	70-76
Eggs, New York, cents/doz.	82.20	65.50	71.40	62.70	64.00	77-79	69.00	75-79	71-77	74-80	75-81
U.S. trade, million lb											
Beef & veal exports	461	689	223	315	315	320	1,173	345	365	395	1,500
Beef & veal imports	3,679	3,599	843	789	765	755	3,152	790	900	845	3,360
Lamb and mutton imports	181	180	53	44	44	48	189	51	49	40	184
Pork exports	2,179	2,660	770	763	653	785	2,971	800	790	675	3,090
Pork imports	1,099	1,024	259	237	239	270	1,005	260	240	260	1,030
Live swine imports	8,505	8,191	2,133	2,087	2,235	2,300	8,755	2,200	2,200	2,200	8,800
Broiler exports	4,768	5,147	1,338	1,298	1,350	1,425	5,411	1,350	1,340	1,390	5,530
Turkey exports	443	569	119	125	150	150	544	130	145	155	585

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

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

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Economic Indicator Forecasts

	2005			2006					2007			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
GDP, chain wtd (bil. 2000 dol.)	11,193	11,234	11,049	11,381	11,385	11,433	11,503	11,410	11,581	11,662	11,747	11,705
CPI-U, annual rate (pct.)	5.1	3.2	3.7	2.0	3.4	2.9	-0.3	2.4	2.8	2.6	2.5	2.6
Unemployment (pct.)	5.0	4.9	5.1	4.8	4.7	4.7	4.5	4.7	4.7	4.8	4.8	4.8
Interest (pct.)												
3-month Treasury bill	3.4	3.8	3.2	4.4	4.8	4.9	5.0	4.8	5.0	4.9	4.8	4.8
10-year Treasury bond yield	4.2	4.5	4.3	4.6	5.1	4.9	4.8	4.8	4.8	4.9	5.0	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, November 2006.
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Published in Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/publications/ldp

Dairy Forecasts

	2005			2006					2007			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,060	9,060	9,041	9,094	9,133	9,117	9,105	9,112	9,085	9,060	9,025	9,045
Milk per cow (pounds)	4,871	4,821	19,577	5,009	5,136	4,907	4,905	19,957	5,065	5,210	4,980	20,235
Milk production (bil. pounds)	44.1	43.7	177.0	45.6	46.9	44.7	44.7	181.9	46.0	47.2	44.9	183.0
Farm use	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	1.0
Milk marketings	43.9	43.4	175.9	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Milkfat (bil. pounds milk equiv.)												
Milk marketings	43.9	43.4	175.9	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Beginning commercial stocks	11.3	9.6	7.2	8.0	10.9	12.7	11.3	8.0	9.0	11.2	12.2	9.0
Imports	1.1	1.2	4.6	1.1	1.1	1.1	1.2	4.5	1.3	1.3	1.3	5.1
Total supply	56.2	54.2	187.7	54.4	58.6	58.2	56.9	193.3	56.0	59.4	58.2	196.1
Ending commercial stocks	9.6	8.0	8.0	10.9	12.7	11.3	9.0	9.0	11.2	12.2	9.9	7.5
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	46.6	46.2	179.7	43.6	45.9	46.9	47.9	184.3	44.8	47.2	48.3	188.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	43.9	43.4	175.9	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Beginning commercial stocks	9.7	8.9	8.2	9.0	9.6	10.0	9.2	9.0	8.8	9.0	9.9	8.8
Imports	1.2	1.2	4.5	1.1	1.1	1.1	1.3	4.5	1.2	1.4	1.4	5.7
Total supply	54.7	53.5	188.6	55.3	57.3	55.6	54.9	194.3	55.8	57.3	56.0	196.5
Ending commercial stocks	8.9	9.0	9.0	9.6	10.0	9.2	8.8	8.8	9.0	9.9	8.6	8.3
Net removals	-0.2	0.0	-1.0	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0
Commercial use	46.1	44.5	180.6	45.7	46.5	46.4	46.1	184.8	46.8	47.5	47.4	188.2
Milk prices (dol./cwt) 1/												
All milk	14.97	15.17	15.14	13.53	12.00	12.23	13.50 -13.80	12.80 -12.90	13.40 -14.00	12.80 -13.70	13.45 -14.45	13.40 -14.30
Class III	14.08	13.69	14.05	12.23	11.02	11.42	12.17 -12.47	11.70 -11.80	12.12 -12.72	12.00 -12.90	12.75 -13.75	12.40 -13.30
Class IV	13.45	13.03	12.87	11.33	10.30	10.65	11.72 -12.12	10.95 -11.15	11.54 -12.24	10.91 -11.91	11.27 -12.37	11.20 -12.20
Product prices (dol./pound) 2/												
Cheddar cheese	1.481	1.431	1.488	1.272	1.184	1.217	1.256 -1.286	1.230 -1.240	1.263 -1.323	1.275 -1.365	1.347 -1.447	1.305 -1.395
Dry whey	0.287	0.314	0.278	0.345	0.289	0.289	0.349 -0.369	0.320 -0.330	0.325 -0.355	0.285 -0.315	0.282 -0.312	0.300 -0.330
Butter	1.646	1.487	1.541	1.247	1.153	1.210	1.250 -1.310	1.205 -1.235	1.228 -1.318	1.217 -1.337	1.275 -1.405	1.250 -1.370
Nonfat dry milk	0.957	0.984	0.941	0.905	0.831	0.844	0.943 -0.973	0.875 -0.895	0.932 -0.982	0.865 -0.935	0.882 -0.952	0.880 0.950

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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