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Livestock, Dairy, and Poultry Outlook

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Commercial Milk Use Outpaces Production Expansion

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Approved by the
World Agricultural
Outlook Board.

Dairy: Global supplies of milk and dairy products remain tight, keeping international prices high. Domestic demand remains very strong, especially for butter-powder. Market prices will ration demand this year and next, as higher feed prices will likely limit the rate of production expansion.

Poultry: From the beginning of the second quarter, higher numbers of broiler chicks have been placed for growout compared with the same period in 2006. This reverses the trend seen over the previous two quarters. Overall meat production in second-quarter 2007 is now expected to total 8.98 billion pounds, down less than 2 percent from the same period in 2006, and meat production in the third and fourth quarters of 2007 is expected to be higher than in the same periods in 2006.

Even with growth in turkey production in the first quarter of 2007 and expected growth in the second quarter, prices for whole turkeys and many turkey parts are well above year-earlier levels. Turkey prices have benefited from the strength of broiler product prices, along with generally higher prices for beef and pork.

Cattle/Beef: Prices across the beef/cattle spectrum are declining, consistent with seasonal price patterns and dropping despite relatively tight supplies of market-ready cattle. Commercial cow slaughter continues at relatively high levels, in part due to extremely dry conditions in the Southeastern, Southwestern, and Intermountain areas of the United States. Forage, range, and crop conditions of the Central part of the country are favorable.

Commercial Use of Milk Rises Faster Than Production Expansion; Expect Higher Prices

Higher dairy product prices and anticipated moderating feed prices appear to be ameliorating the expected reduction in dairy herd size. Culling rates have declined, as higher milk prices have kept some cows in the herd despite high feed prices. The herd size is projected to be 9.115 million head for 2007, virtually unchanged from 2006. Production per cow will likely move above the 2006 level to 20,220 pounds. A return to more normal pasture conditions in most of the country could ease alfalfa prices and encourage feeding, but continued drought in most of the southeastern States will continue to plague milk production in that region. Total milk production in 2007 is expected to be about 184.3 billion pounds. In 2008, cow numbers are forecast to rebound slightly to 9.125 million pounds and production is forecast to increase to 188.4 billion pounds. The milk–feed price ratio is projected to climb into the 2.9 range for this year and could be slightly higher in 2008, and these levels would likely signal expansion.

Growth in commercial use of all products will continue to outpace production growth in 2007, with production increases catching up in 2008. Continued strong demand for dairy products, especially dry products, is having an impact throughout the dairy complex. Cheese prices have risen through May, but cheese stocks at the end of April were higher year-over-year, with most of the rise in other than American-style cheeses. Some of the stock building may be in anticipation of even higher prices later in the year. High prices for nonfat dry milk (NDM) may be increasing costs for Italian-type cheese manufacturers. Prices for cheese are expected to range from \$1.605 to \$1.645 per pound in 2007. Some pullback is expected in 2008, with prices forecast from \$1.485 to \$1.585 per pound.

Tight global supplies for dry milk products are expected to keep domestic prices for NDM high through 2007. European Union stocks are low and milk production there is moving into cheese. Australian production has been significantly reduced because of drought and is not expected to recover this year. The average NDM price is expected to range from \$1.610 to \$1.650 per pound in 2007. Some easing could come toward the end of 2008; however, prices will remain high by historic standards. The 2008 forecast is for the average NDM price to be \$1.560 to \$1.630 per pound.

Domestic butter prices are forecast above historic norms due to continued strength in demand and limited production growth. In 2007, the average butter price is expected to average from \$1.370 to \$1.440 per pound. For 2008, the forecast range is \$1.350 to \$1.480 per pound. Whey prices, which have also risen, will likely plateau at new higher levels, averaging 68.5 to 70.5 cents a pound in 2007 and remaining close to 2007 prices at 65.0 to 68.0 cents a pound in 2008.

The tight supply situation in the butter-powder market will push the average annual Class IV price to the \$17.85 to \$18.35 per cwt range in 2007, as Class IV prices are expected to continue to rise throughout the year. The product market this year presents the unusual situation that the Class IV price is the driver for Class I prices. The Class III price is projected to rise to an average \$17.30 to \$17.70 per cwt for the year. The reported all milk price is expected to be sharply higher in 2007 and will likely average \$18.55 to \$18.95 per cwt for the year. Strong milk prices will likely continue into 2008. The Class IV price is forecast to average \$17.25 to \$18.35 per cwt, and the Class III prices \$15.95 to \$16.95 per cwt. The all milk price is forecast to average \$17.90 to \$18.90 per cwt for 2008, a slight decline.

April Broiler Production Rises, Prices Strong

Total broiler meat production in April was 2.86 billion pounds, up 1.6 percent from April 2006. The major reason for the production increase was that April 2007 had 1 more slaughter day than the previous year. The additional slaughter day resulted in a 2.8 percent increase in the number of birds slaughtered compared with April 2006. The increase in birds slaughtered, and a slight increase in average liveweights, was partially offset by a 1.2 percent decrease in the meat yield per bird. With a higher number of chicks being placed for growout, the total number of birds slaughtered in the second quarter is expected to be close to the number for second-quarter 2006. Overall meat production in second-quarter 2007 is now expected to total 8.98 billion pounds, down less than 2 percent from the same period in 2006.

The pattern over the last several quarters of a smaller number of broilers going to slaughter is expected to be reversed in the third and fourth quarters. Broiler meat production is expected to total 18.1 billion pounds in the second half of 2007, up 2.3 percent from the previous year. Average liveweight in the third and fourth quarter is expected to be up only slightly from the previous year. Over the last 5 weeks, (May 12 to June 9), the number of chicks being placed for growout each week has been close to 181 million, up 3.5 percent from the same period in 2006.

Over the last several months, prices for most broiler products have strengthened because production was lower and stock levels have declined. In May, the 12-City wholesale price for whole broilers averaged 81 cents per pound, up 36 percent from the previous year and 11 cents per pound higher than at the beginning of the year. Prices for broiler parts have strengthened to an even greater extent. In May, prices for boneless/skinless breast meat in the Northeast market averaged \$1.70 per pound, up 51 percent from May 2006 and 42 cents per pound more than at the beginning of the year.

With broiler production expected to increase in the second half of 2007, price increases are expected to slow and then decline in 2008. The extent of the impact on prices will depend on the health of the general U.S. economy, the available supplies of competing proteins such as beef and pork, and the strength of the export market.

Turkey Production Climbs in April

Turkey meat production in April was 462 million pounds, up 6.3 percent from a year earlier. The increase was, as with broilers, largely the result of an additional slaughter day in 2007 compared with April 2006. Overall turkey meat production for second-quarter 2007 is expected to be 1.48 billion pounds, up 2.4 percent from the same period in 2006. Turkey meat production (on a year-over-year basis) has been expanding for the last six quarters. The number of turkeys slaughtered increased by 5.6 percent in April to 20.5 million birds, and there was a 1-percent increase in their average liveweight.

Even with turkey meat production expected to be about 3 percent higher in the first half of 2007 compared with a year ago, wholesale prices for most turkey products have remained strong. May prices for whole-hen turkeys in the Eastern region were 77 cents per pound, an increase of 8 percent from May 2006. Over the first 5 months of 2007, whole hen turkey prices have ranged between 68 and 77 cents per pound, averaging 5 percent higher than in the same period in 2006. Prices have also been higher for many turkey parts. April prices for some turkey parts were only slightly higher than a year earlier, but prices of items like wings were between 70 and 80 percent higher. Turkey prices have benefited from the strength of broiler product prices, along with generally higher prices for beef and pork. With broiler meat production expected to expand in the third and fourth quarters, prices for turkey parts are expected to gradually move closer to their year-earlier levels.

Egg Production Lower in April, Production Estimates Reduced

Over the first 4 months of 2007, the number of birds in the U.S. table-egg flock has averaged 287 million, down 1.2 percent from the same period in 2006. With the lower number of birds, table egg production was down 1.2 percent in the first quarter and 2 percent in April. This lower production is expected to continue in the second quarter, and the production estimate for second-half 2007 was reduced, so that production is now expected to be nearly identical to production in second-half 2006.

Lower production and strong exports over the first 4 months of 2007 have led to egg prices being considerably higher than in the previous year. Over the first 4 months of 2007, wholesale egg prices in the New York market averaged 102.5 cents per dozen, 46 percent higher than in the same period in 2006. Prices in the New York region continued to be strong in May, averaging around 93 cents per dozen. Prices are expected to average between 88 and 89 cents per dozen in second-quarter 2007 (up more than 40 percent from the previous year). Prices in second-half 2007 are expected to average lower than in the first half of 2007, but to still remain higher than those of the previous year.

Cow Slaughter Runs Counter to Seasonal Patterns

The Midwestern corn and soybean crops are off to a good – if somewhat late – start, with most States reporting crop conditions mainly of Fair to Excellent. Pasture and range conditions are similarly rated, with most regions, except the Southwest, Intermountain West, and Southeast, reporting mostly Good to Excellent conditions. The first hay cutting of the season is well underway in most areas. About one-fifth of the 2007 hay crop is in areas currently experiencing extremely dry conditions. Replenishing hay stocks will take some of the edge off the impacts from dry conditions. Hay stocks on May 1, 2007 were only about 70 percent of stocks on May 1, 2006 and 54 percent of stocks on May 1, 2005. It is too early to tell what hay stocks will look like going into winter 2007/08.

Commercial beef and dairy cow slaughter continues at much higher levels than expected thus far in the second quarter of 2007, given the January 1, 2007 cow inventory and typical seasonal cow slaughter patterns. Almost 53,000 dairy cows have been slaughtered as a result of the Cooperatives Working Together (CWT) fourth herd retirement round. The CWT program is aimed at reducing milk production and promoting dairy product exports and has been extended through the end of 2008. Extremely dry conditions in the Southeast and Southwest also continue to motivate both beef and dairy cow slaughter above seasonal expectations.

Cow slaughter will likely make inroads into January 1, 2008 cow inventories if it continues at current levels. Despite the heavy slaughter, cow prices remain relatively strong, in the low-to mid \$50s, as do prices for 90-percent lean beef, which comes primarily from cull cows and bulls.

Calf slaughter has declined from its peak earlier in 2007, and dressed weights of calves have begun to increase. These changes may be signaling the end of young calf slaughter that was induced by high feed prices and by the dry conditions and limited late winter-early spring forage supplies.

May 2007 prices for feeder cattle (Oklahoma City, Medium and Large No. 1, 750-800-lb steers) were about 3 percent above May 2006 prices and reflect a weight premium in response to high feed costs due to ethanol demand for corn. Lighter weight feeder cattle prices received support from much-improved pasture and forage conditions and from fed cattle prices that were high enough to allow cattle feeding profits and positive packer margins. In May 2007, lighter weight feeder calves at Oklahoma City were even with or slightly below prices for May 2006.

Seasonally declining spreads between Choice and Select beef cutout values are receiving a boost from relatively tight supplies of market-ready fed cattle of all grades and are currently the biggest positive factor for fed cattle prices. Given that abnormally large numbers of cattle were placed on feed last summer, fall, and winter, the resulting relatively large cattle-on-feed inventories and relatively low marketings from 1,000-head-plus feedlots suggest that large numbers of cattle could come to market over the next few months. If this happens, prices could face downward pressure, in addition to seasonal declines from spring price peaks.

Dressed weights appear to have bottomed out, and may be beginning to increase seasonally into fall, which would add to beef supplies and put downward pressure on the whole beef/cattle price complex. Based on weekly average data, May 2007 Choice cutout values were about 9 percent above May 2006 values, while May 2007 Select cutout values were 16 percent above the year-earlier values. May 2007 prices for 50- and 90-percent lean processing beef were 58 percent and 15 percent above prices for May 2006.

Average monthly retail Choice beef prices for May 2007, at \$4.30 and up by 9 percent over May 2006 prices, were supported by the retail prices of other meats. Other factors that have supported retail prices recently are slowly increasing export sales, tight supplies of market-ready cattle, and seasonal price patterns that generally peak in the spring.

The beef import forecast for the second quarter was unchanged from last month's, despite pressure from higher-than-expected domestic cow slaughter that has remained high through most of this period. Beef imports into the United States from Australia, New Zealand, and Uruguay provide additional processing beef that, along with domestic cow and bull beef, is mixed with 50-percent trim from fed cattle to make ground beef. Forecast beef exports were raised slightly, mainly on continued (though gradual) improvements in sales to major Asian markets. In late May the World Animal Health Organization – known by its French acronym, OIE – designated the United States as having “controlled risk status” for bovine spongiform encephalopathy, or BSE. This designation reflects the OIE's view that beef produced in the United States is safe for export, since BSE control measures such as feed bans and removal of specified risk materials result in negligible risk to consumers. However, the OIE standards are only guidelines. Individual countries may adopt differing standards, and those countries that do accept OIE standards must still undertake the bureaucratic processes to revise their rules and procedures.

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Data Products

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 ^{1/}							2008			
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Production, million lb														
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,235	6,725	6,850	6,330	26,140	6,200	26,315
Pork	20,509	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,140	5,200	5,725	21,461	5,350	21,625
Lamb and mutton	195	187	49	47	42	47	185	49	46	43	46	184	48	179
Broilers	34,063	35,365	8,938	9,130	8,884	8,801	35,752	8,574	8,975	9,050	9,050	35,649	8,850	36,425
Turkeys	5,454	5,504	1,355	1,440	1,419	1,473	5,686	1,410	1,475	1,450	1,490	5,825	1,425	5,875
Total red meat & poultry	85,441	87,097	21,920	22,516	22,428	22,619	89,483	21,819	22,524	22,751	22,795	89,889	22,032	91,064
Table eggs, mil. doz.	6,365	6,411	1,611	1,610	1,624	1,649	6,494	1,592	1,580	1,625	1,650	6,447	1,610	6,575
Per capita disappearance, retail lb ^{2/}														
Beef	66.0	65.4	15.8	16.8	16.8	16.2	65.7	15.8	17.0	16.8	15.6	65.3	15.5	64.4
Pork	51.3	49.9	12.3	11.9	11.9	13.1	49.3	12.3	11.9	12.2	13.0	49.4	12.0	49.0
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.2	0.3	1.1	0.3	1.1
Broilers	84.2	85.6	21.8	22.5	21.9	20.7	86.9	20.8	21.5	21.7	21.3	85.5	20.9	85.7
Turkeys	17.0	16.7	3.5	3.9	4.3	5.2	16.9	3.8	3.9	4.3	5.0	17.1	3.6	16.9
Total red meat & poultry	221.4	220.5	54.1	55.8	55.6	55.9	221.4	53.5	55.0	55.7	55.6	219.9	52.8	218.7
Eggs, number	256.9	255.3	63.9	63.5	63.8	64.5	255.7	61.7	61.2	63.1	63.7	249.8	62.3	252.6
Market prices														
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	94-95	87-91	84-92	89-92	84-92	84-90
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.32	107-108	103-109	102-108	103-106	98-104	97-103
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	47.60	52-53	49-53	48-52	49-53	47-52	47-51
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	83.92	85-86	81-87	82-88	83-87	83-91	84-90
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52-53	52-54	46-50	49-51	46-50	47-51
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.0	80-81	78-82	73-79	76-79	73-79	73-79
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.7	77-78	79-83	82-88	77-80	69-75	73-79
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	88-89	85-89	90-98	92-95	95-103	89-97
U.S. trade, million lb														
Beef & veal exports	460	698	223	315	307	308	1,153	269	320	355	370	1,314	360	1,580
Beef & veal imports	3,679	3,599	843	789	731	722	3,085	770	885	800	780	3,235	805	3,300
Lamb and mutton imports	180	180	53	44	41	52	190	56	50	42	47	195	57	198
Pork exports	2,181	2,665	770	763	653	811	2,997	792	790	685	845	3,112	820	3,270
Pork imports	1,099	1,024	259	237	239	254	989	239	220	220	250	929	240	930
Live swine imports	8,506	8,192	2,133	2,087	2,205	2,338	8,763	2,302	2,300	2,350	2,400	9,352	2,350	9,550
Broiler exports	4,784	5,203	1,338	1,298	1,224	1,412	5,272	1,275	1,275	1,300	1,400	5,250	1,350	5,515
Turkey exports	442	570	119	125	152	149	546	124	135	140	155	554	135	605

^{1/} Forecasts are in **bold**.

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

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

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Economic Indicator Forecasts

	2006					2007					2008	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
GDP, chain wtd (bil. 2000 dol.)	11,381	11,385	11,433	11,542	11,422	11,549	11,618	11,693	11,775	11,658	11,860	11,992
CPI-U, annual rate (pct.)	2.0	3.4	2.9	-2.2	2.0	3.8	4.2	2.5	2.3	3.2	2.4	2.4
Unemployment (pct.)	4.8	4.7	4.7	4.5	4.6	4.5	4.6	4.6	4.7	4.6	4.8	4.8
Interest (pct.)												
3-month Treasury bill	4.4	4.8	4.9	4.9	4.7	5.0	5.0	5.0	4.9	5.0	4.9	4.9
10-year Treasury bond yield	4.6	5.1	4.9	4.6	4.8	4.7	4.7	4.8	4.8	4.8	4.9	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, May 2007.
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Dairy Forecasts

	2006					2007					2008	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,092	9,128	9,113	9,115	9,112	9,129	9,115	9,110	9,110	9,115	9,115	9,125
Milk per cow (pounds)	5,010	5,141	4,906	4,894	19,951	5,040	5,210	4,990	4,980	20,220	5,185	20,645
Milk production (bil. pounds)	45.5	46.9	44.7	44.6	181.8	46.0	47.5	45.5	45.4	184.3	47.3	188.4
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	1.1
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.0	187.2
Milkfat (bil. pounds milk equiv.)												
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.0	187.2
Beginning commercial stocks	8.0	11.5	13.5	11.6	8.0	9.5	11.9	13.5	11.3	9.5	8.7	8.7
Imports	1.1	1.2	1.1	1.5	5.0	1.1	1.2	1.1	1.5	4.8	1.1	4.8
Total supply	54.4	59.3	59.1	57.5	193.6	56.3	60.2	59.8	57.9	197.5	56.8	200.7
Ending commercial stocks	11.5	13.5	11.6	9.5	9.5	11.9	13.5	11.3	8.7	8.7	11.4	8.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.9	45.8	47.4	48.0	184.1	44.4	46.7	48.5	49.2	188.8	45.4	192.7
Skim solids (bil. pounds milk equiv.)												
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.0	187.2
Beginning commercial stocks	9.0	9.7	10.2	9.1	9.0	9.1	9.7	10.2	9.1	9.1	8.8	8.8
Imports	1.1	1.1	1.1	1.4	4.8	1.0	1.1	1.1	1.4	4.6	1.0	4.7
Total supply	55.3	57.5	55.7	54.8	194.4	55.8	58.0	56.5	55.5	196.9	56.8	200.7
Ending commercial stocks	9.7	10.2	9.1	9.1	9.1	9.7	10.2	9.1	8.8	8.8	9.2	8.6
Net removals	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	45.6	46.6	46.7	45.7	184.5	46.1	47.8	47.4	46.7	188.1	47.6	192.1
Milk prices (dol./cwt) 1/												
All milk	13.50	11.97	12.23	13.90	12.90	15.00	18.10	20.90	20.30	18.55	19.10	17.90
							-18.30	-21.40	-21.10	-18.95	-20.10	-18.90
Class III	12.23	11.02	11.42	12.88	11.89	14.28	17.81	19.19	17.99	17.30	16.94	15.95
							-18.01	-19.69	-18.79	-17.70	-17.94	-16.95
Class IV	11.33	10.30	10.65	11.97	11.06	12.98	18.20	20.63	19.63	17.85	18.17	17.25
							-18.50	-21.23	-20.53	-18.35	-19.27	-18.35
Product prices (dol./pound) 2/												
Cheddar cheese	1.272	1.184	1.217	1.316	1.247	1.352	1.615	1.775	1.677	1.605	1.577	1.485
							-1.635	-1.825	-1.757	-1.645	-1.677	-1.585
Dry whey	0.345	0.289	0.289	0.381	0.329	0.592	0.752	0.715	0.675	0.685	0.662	0.650
							-0.772	-0.745	-0.705	-0.705	-0.692	-0.680
Butter	1.247	1.153	1.210	1.267	1.219	1.227	1.410	1.460	1.402	1.370	1.388	1.350
							-1.450	-1.540	-1.512	-1.440	-1.518	-1.480
Nonfat dry milk	0.905	0.831	0.844	0.970	0.887	1.120	1.641	1.897	1.810	1.610	1.648	1.560
							-1.661	-1.937	-1.870	-1.650	-1.718	-1.630

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/dyfmoms/mib/fedordprc_dscrp.htm

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

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