



United States
Department
of Agriculture

LDP-M-105

Mar. 17, 2003



Electronic Outlook Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

Leland Southard (Coordinator)

Milk Production To Increase; Prices To Decline

Milk production in 2003 is expected to increase about 1 percent, compared with 2.6 percent in 2002. However, demand for dairy products weakened substantially in 2002 and now large commercial stocks overhang the market, pressuring prices. Farm milk prices have fallen from an average of nearly \$15 per hundredweight (cwt) in 2001 to just more than \$12 in 2002. In 2003, prices are to fall further and average \$11.10 to \$11.70 per cwt.

Total red meat and poultry production is expected to be down over 1 percent in 2003, compared with a more than 3-percent increase in 2002. Cattle and hog producers continued to reduce their breeding herds, and hatchery data indicate a continuing pull back by poultry producers. Livestock and poultry prices are projected to be higher across the board in 2003.

In early 2003, beef and pork production have been larger than expected. The increased beef production is largely due to the highest cow slaughter since 1997. Dairy cow slaughter through February is up about 10 percent compared with last winter. Beef cow slaughter is up about 3 percent. Dairy cow slaughter is up because of poor returns and a large number of replacement dairy heifers available. Producers are culling their poorer cows, and replacing them with heifers. The higher beef cow slaughter reflects continued deterioration in forage conditions and a colder winter. The larger than expected hog slaughter may reflect more gilts coming to slaughter as producers reduce the sow and gilt inventory.

Broiler production in 2003 is expected to be about 32.3 billion pounds, just barely above 2002. Broiler production has increased each year since 1975. Weekly chick placements continue to run below a year ago in response to low prices last fall and continuing trade uncertainties. Turkey production is expected to total about 5.7 billion pounds, down less than 1 percent from last year. In 9 of the last 11 months, the number of poult placed for growout has been below the level of the same month the previous year.

Contents

[Dairy](#)
[Cattle/Beef](#)
[Hogs](#)
[Poultry](#)
[Contacts and Links](#)

Tables at a Glance

[Red Meat and Poultry](#)
[Economic Indicators](#)
[Dairy](#)

Web Sites

[Cattle](#)
[Hogs](#)
[Poultry and Eggs](#)
[Dairy](#)
[WASDE](#)

The next release is
Mar. 25, 2003

Approved by the
World Agricultural
Outlook Board.

Dairy Doldrums To Continue

The dairy industry in early 2003 was in much the same shape as during 2002. Milk production was still growing briskly, mostly on unusually strong milk cow numbers. Meanwhile, commercial use's struggle to post significant gains continued. Commercial stocks of butter are huge, and other commercial stocks are quite ample. Signs of adjustment to much lower prices are beginning to emerge. But, these signs are quite faint, and no real momentum has developed to slow growth in milk production or to boost dairy demand. Significant recovery in milk prices does not seem likely in 2003.

Milk prices collapsed in 2002 as surging production shot past sagging dairy demand. Generally high returns during 1996-2001 generated strong pressures for expansion in milk production. However, these pressures were largely stymied in 2001 by a shortage of replacement heifers and tight supplies of western alfalfa. Expansion was not to be denied in 2002 as the problems of the previous year began to be resolved.

Demand for dairy products weakened substantially in 2002. Commercial use grew just barely, even though prices were substantially lower. Weak demand in 2002 was in sharp contrast to the very robust demand of the preceding 4 years.

Farm milk prices fell from an average of almost \$15 per cwt in 2001 to just more than \$12 in 2002, ending the year even weaker than at the start. Recent milk prices were the lowest since the late 1970s and have rather dim prospects for recovery in the short term.

Milk Production Surge Continues

Milk cow numbers in the 20 major States edged higher during most months of 2002, going from slightly below a year earlier in early 2002 to almost 1 percent above by yearend. For all States, milk cow numbers were not quite as strong, growing during the first half and then staying about flat during the rest of the year. Sizable numbers of new or greatly expanded facilities came into production, and earlier expansions were brought up to capacity.

The lack of replacement heifers made increases in cow numbers more gradual than normal. In addition, relatively few farms quit dairying. Most of the weaker dairy operations have fairly low debt, giving them considerable flexibility as to when they leave. The relatively strong returns of recent years and the direct payments from Milk Income Loss Contracts (MILC) gave them extra resiliency to very low milk prices.

Last autumn's sharp drop in prices of replacements indicated that heifer supplies are no longer a substantial restraint on milk cow numbers. It also meant that upward pressure on cow numbers may have started to ease, as the surge in expansions probably has crested. However, dairy farm exits have yet to pick up much, although some acceleration is expected as the year progresses. Fewer expansions and more exits would start milk cow numbers declining in coming months. However, declines probably will be gradual and are not likely to be dramatic by even yearend. For the year, the decrease in average milk cows is projected to be less than 1 percent.

The 2002 forage situation was highly mixed. Alfalfa hay production was down slightly and stocks of all hay (and probably alfalfa) were substantially lower on December 1, 2002. Alfalfa quality in most areas varied greatly from cutting to cutting. Silage quality and yields also were erratic because of dry weather. However, the situation for dairy farmers probably is not as bad as it might appear. The West likely has the best alfalfa situation in several years, the result of larger output and weaker export demand. Also, the greatest pressure on forage supplies has been from beef producers looking for grass or low quality alfalfa hay. Since autumn, alfalfa hay prices have run below a year earlier.

Forage developments may be critical in 2003. In some years with similar conditions, dairy farmers simply ran out of adequate forage in late spring, and milk per cow was harmed significantly. Whether such a situation emerges will hinge on the largely unknown amounts and quality of forage stocks on dairy farms and on forage crop development early in the new season. Dairy farmers will be vulnerable throughout the season to

any shortfalls in 2003 production of dairy quality forage.

Smaller crops of feed grains and soybeans boosted concentrate prices during 2002. The price impacts were somewhat muted by the effects of large stocks at the end of the previous crop year. Even so, higher feed prices and much lower milk prices dropped milk-feed price ratios sharply from 2001's very high levels to levels normally associated with below-trend increases in concentrate feeding and milk per cow.

The expected low milk prices probably will leave milk-feed price ratios quite low again in 2003, even if crops are normal. Concentrate feed prices are projected to be above a year earlier (and milk prices below) through at least summer. Additionally, feed prices will be more vulnerable to weather problems this year because of the reduced carryin stocks.

Milk per cow rose 2.3 percent in 2002, much less impressive than it seems following stagnation in 2001. Milk per cow made only slight recovery against the long-run trend. Compared with the 5-year average, 2002 milk per cow grew at an annual average rate of only 1.7 percent, much below the trend of 2 percent or a bit more. Low milk-feed price ratios and erratic forage quality share much of the blame. Disrupted culling patterns because of the lack of heifer availability probably also contributed. Gains in milk per cow weakened considerably as the year progressed.

Very weak growth going into 2003, little economic incentive to boost concentrate feeding, and erratic forage quality do not bode well for increases in milk per cow, even if this year's weather is normal. In addition, there likely is an unusually large share of first-calf heifers in the milking herd this year, further limiting potential gains. Milk per cow is projected to rise considerably less than 2 percent in 2003.

Milk production jumped 2.6 percent in 2002. Increases from a year earlier were very large through summer, first because of recovery in milk per cow and later because of growth in milk cow numbers. Although the autumn increase slackened, milk production expansion stayed sizable.

Changes in 2002 milk production varied greatly by region. Output rose rapidly in the West as the Mountain and Pacific regions boosted cow numbers and managed a mediocre increase in milk per cow. Production also rose in the Northern Plains, Corn Belt, Southern Plains, and Northeast. The Midwestern grain regions increased milk production because of increases in milk per cow large enough to offset modest declines in milk cow numbers. The increasing number of large "new style" dairy farms in those regions has lifted average milk per cow considerably. The Northeast had a sizable increase in milk per cow, following sluggish growth in 2001 that easily outweighed a fractional decrease in cow numbers. Meanwhile, brisk recovery in milk per cow in the Southern Plains dwarfed a sizable drop in milk cows.

Milk production slipped in the Lake States. A sizable decline in cow numbers was accompanied by only a small gain in milk per cow. Meanwhile, milk output continued to drop in the South. The Appalachian, Southeast, and Delta regions continue to lose cows relatively rapidly as many of their farmers have not been competitive at recent prices. Milk per cow was fairly stagnant in southern regions, in part because of a less favorable summer.

Milk per cow in 2002 was more than 10 percent larger than the 1996-98 average, an annual growth rate of 2.0 percent. About a fifth of the increase in average milk per cow during that period was due to shifts in the distribution of cows among States. If States' shares of the U.S. milk cow herd had remained unchanged during the last 5 years, milk per cow would have increased at only a 1.6-percent annual rate. Milk production is projected to increase about 1 percent in 2003.

Dairy Demand Recovery Delayed

After 3 years of extraordinary strength, demand weakened considerably in late 2001 and further in 2002. Commercial use of milkfat rose less than 1 percent from a year earlier, while sales of skim solids slipped. Sales sluggishness came in the face of sharply lower prices for wholesale users and retail prices below a year earlier during the second half. Restaurant sales and sales of premium products apparently were particularly affected.

Economic weakness undoubtedly was a major factor in the slowdown in dairy demand. However, the economic weakness was relatively quite mild in most ways. The recession just barely qualified as one, consumer incomes stayed fairly strong, and the increase in unemployment was relatively small. Consumers continued to spend at a fairly brisk pace, in part fueled by savings from mortgage refinancing. However, consumers made major shifts in how they spent. Spending on home-related items was strong, but the somewhat indulgent spending on food “treats” was reduced. In addition, economic recovery has been sluggish and erratic.

Unlike most recent periods of economic weakness, inexpensive restaurants did not seem to benefit from less spending in pricier restaurants. There were even some indications that more meals were being served at home, although many of them may have involved pre-prepared foods. These changes in away-from-home eating hurt demand for cheese, butter, and fluid cream, the strongest products in earlier years. Of particular importance to dairy was the lack of growth in pizza sales. The industry had counted on increases in pizza use, through thick and thin, for many decades.

Sales of butter rose only 1 percent in 2002, matching the anemic performance of American cheese. Both of these products exhibited strength during part of the year but neither could sustain growth for very long. Sales of other cheeses posted a much stronger, but not dramatic, rise of almost 4 percent. Faced with increased competition from imported milk proteins and reluctance from food processors to change formulations, commercial use of nonfat dry milk fell more than a fifth. Sales of fluid milk and ice cream rose just barely, even though demand for these products might have been expected to be relatively less affected.

Growth in dairy demand is expected to resume in 2003. Slow economic improvement is projected, and the recent retrenchment in dairy demand may have run its course. However, this modest demand growth probably will not be able to absorb the increase in milk production and to pull down the heavy beginning stocks except at continued weak prices. In addition, events in the Middle East may disrupt both the economy and dairy demand.

Cheese demand likely will expand in 2003, but growth is not expected to be robust because restaurant use may stay unsettled. Sales of butter are expected to grow, but demand probably will be somewhat sluggish. In addition to restaurant weakness, sales of premium products that use butter as an ingredient may not recover much, and processors probably will be reluctant to change formulations in light of the 1998-2001 history of generally high and volatile butter prices. Although retail sales account for considerably less than half of all butter use, much of 2003's increase in butter sales is likely to be at retail. Butter can be a very effective product for price specials, and sales often increase considerably. However, specials during the autumn holidays were not widespread, and early indications are that specialing during the spring holidays will be modest.

Commercial use of nonfat dry milk likely will grow in 2003. International market prices are projected to be near domestic prices during at least most of the year. Even if commercial exports are modest, the price parity should soften demand for imported milk proteins, similar to the experience in 2001. In addition, the very large drops in prices of nonfat dry milk since early 2001 may encourage food processors to incorporate more skim solids in processed foods, once demand for these products recovers from economic weakness. On the other hand, demand for fluid milk and soft products probably will continue to stagnate. Sales of these products in recent years seem to be relatively unaffected by their prices or the state of the economy.

Production and Stocks of Manufactured Products Heavy

Production of cheese rose modestly during the last quarter of 2002 and early 2003, with a sizable rise from a year earlier for other-than-American varieties and a slight increase for American types. However, cheese demand was insufficient to draw enough milk away from butter-powder to make any real difference in the over-burdened markets for butter and nonfat dry milk. Butter output stayed near the large levels of a year earlier. Production of nonfat dry milk was a bit more erratic, down moderately last autumn but up in January.

Manufactured product output probably will stay large during 2003. Recovering cheese demand is expected to pull larger shares of the milk supply into cheese production, relieving some of the pressure on butter and nonfat dry milk markets. However, improvements are likely to be gradual and subject to any stumbles in the economy.

Production of almost all storable manufactured dairy products rose in 2002. Most manufacturing regions posted increases in milk production, and no product needed to pull in large additional amounts of milk. Production of total cheese, American cheese, and Italian cheese all rose about 4 percent from a year earlier. Meanwhile, butter output jumped 10 percent, while nonfat dry milk production rose only slightly less at 7 percent. Even production of dry whole milk and canned milk increased significantly last year.

Commercial butter stocks continue to stagger milkfat markets. On February 1, commercial inventories exceeded 200 million pounds, more than twice the previous record for the date and larger than on any date prior to spring 2002. These winter stocks were already equivalent to about 2 months of sales. Normally, butter stocks rise steadily during the first half of the year to a midyear peak. The heavy butter holdings brought February 1 commercial stocks of all products above 11 billion pounds, milk equivalent, milkfat basis, another dramatic record.

Butter stocks became extremely large in 2002 because of heavy production and weak demand for milkfat. Unlike the situation for skim solids, this surplus could not be drained off by price support sales to the Government (at least not until very late 2002) and accumulated in commercial stocks.

February 1 commercial cheese stocks were moderately larger than the 2 preceding years on that date. Meanwhile, manufacturers' stocks of nonfat dry milk were down somewhat. Total commercial stocks on a milk equivalent, skim solids basis were about 9 billion pounds, up 6 percent from a year earlier. February 1 cheese and nonfat dry milk stocks might be considered comfortable in a tighter market situation, but probably were somewhat large in light of the heavy

butter stocks and the continuing surplus prospects for skim solids.

Such very large (and costly) stocks are not likely to persist. The modest excess of cheese holdings could be dealt with in a number of ways. But, butter stocks will be a larger problem. Unless sales were to surge in response to spring retail price specials, price support sales of butter seem inevitable, as Dairy Export Incentive Program (DEIP) exports cannot accommodate such large amounts. Even then, heavy price discounts may be needed to move the accumulated stocks of old butter commercially.

Skim Solids Surplus Stubborn

The surplus of skim solids jumped in 2002 as milk output rose briskly, sales of all skim solids were about unchanged, and sales of separated skim solids fell. Net removals totaled almost 10 billion pounds, milk equivalent, skim solids basis, up substantially from any recent year. About 6 percent of the skim solids in farm milk marketings were not used commercially. On the other hand, the surplus of milkfat was negligible. Removals came to only 0.3 billion pounds, milk equivalent, milkfat basis.

Price support purchases of nonfat dry milk almost doubled in 2002, even though shipments under the DEIP rose slightly. Weak demand for separated skim solids in other products boosted production of powder, while use tumbled. Second-half sales to the government increased net removals of cheese to a modest 16 million pounds, up from 2001 but below 2000. There were no removals of butter.

Sales of skim solids in 2003 are expected to rise more than milk production, lowering net removals. The surplus would drop even more if commercial exports prove more vigorous than anticipated. Even so, the skim solids surplus is likely to remain large enough to forestall any significant increases in prices of nonfat dry milk and other related products.

Significant removals of butter are possible in 2003, even though only tiny purchases have occurred so far. Huge butter stocks continue to depress milkfat prices. If the commercial market is unable to clear

these holdings (as seems likely), significant sales to USDA seem probable. Additional DEIP exports beyond the initial 11 million pounds also are possible.

International Powder Markets Tighten

International dairy markets have tightened because of smaller supplies from Oceania at the tail of their production season. Both New Zealand and Australia have had dry conditions and weak milk production during the first calendar quarter, leaving them with below-normal supplies of products to ship in coming months. In addition, some of their winter forage reserves reportedly were fed during the past season to help maintain milk production levels, possibly affecting the number of cows carried through their winter season.

International prices of nonfat dry milk have been fairly steady recently, after rising to near the U.S. domestic price during the last quarter of 2002. Despite the tightness in Oceania, import buyers know that large quantities are readily available from the United States if needed. In addition, the European Union (EU) recently boosted their subsidy rate to offset the strength of the euro. International powder prices probably will run near current levels in coming months. Some U.S. nonfat dry milk may be needed in international markets, but sizable exports are not expected.

International butter markets have been fairly weak and probably will stay so. Increased import demand from Russia produced minor seasonal increases last autumn that have since largely dissipated. Middle Eastern uncertainties have hurt demand in that region. The supply tightening probably has eliminated most butter sold under heavy discount but generally has not had much impact on prices of standard product.

Somewhat less milkfat was imported into the United States in 2002. Domestic prices weakened considerably more than did international prices, trimming high-tariff imports of fat. On the other hand, imports of skim solids products rose slightly as a price gap re-emerged when international prices fell. The weaker international markets also increased imports of cheese, with imports of varieties subject to quotas, and of nonquota

varieties, both up about 8 percent. Imports of American cheese rose considerably in 2002, probably reflecting ample supplies of dairy products from Oceania.

DEIP exports were up somewhat for nonfat dry milk in 2002, but a bit smaller for cheese. Most of the year-to-year variation in DEIP exports is caused by changes in the pattern of actual shipments associated with the July-June commitment years. Non-subsidized exports of nonfat dry milk fell along with international powder prices, but commercial cheese exports managed to hold about steady.

The third set of DEIP allocations for the 2002/03 year, announced in late February, has been quickly exhausted. Contracts now cover all of the nonfat dry milk and cheese allowed during the current commitment year. Although contracting may resume in July, there might be a relative lull in export shipments this summer as old-year contracts wane and new-year contracts have yet to pick up. Recent contract activity included 5,000 tons of butter, part of last fall's allocation. This was the first butter activity since early 2000. Actions to allow additional butter contracts could be taken because most of the autumn allocation remains and that allocation was substantially below the limit under World Trade Organization (WTO) commitments.

At current prices, substantial commercial exports of nonfat dry milk are possible—but not yet expected. Supplies from other exporters are projected to come close to filling the somewhat lackluster import demand. However, the situation could easily shift enough to generate substantial exports. Even so, exports large enough to significantly affect domestic powder prices are quite unlikely.

Imports of skim solids are likely to decrease somewhat this year because a significant price gap between domestic and international prices is not expected. Milkfat imports may be similar to, or slightly less than, 2002. However, changes probably will be modest. U.S. imports are dominated by cheese, and cheese imports do not respond much to short-run changes in price gaps. Most cheese exporters are driven by considerations

related to long-run market position and may pay little heed to transitory price conditions.

Price Weakness To Persist

Butter and cheese prices have slipped a little since the start of 2003, but mostly varied within the same general ranges. The supply-demand picture has not changed much: rising milk production; use struggling to grow; and burdensome stocks. No more than modest seasonal strength is expected through at least summer. Although the adjustment processes may have begun, no market-tightening momentum has developed in either supply or demand. Considerable time probably will be needed to erode the current surplus enough to generate significant price recovery, although butter sales to the government would have an accelerating

effect. Autumn seasonal price increases are projected to be only modest.

Farm milk prices are projected to run below a year earlier during the first three-quarters of 2003, with the largest declines during the first half. Although prices might post increases during autumn, such rises probably would be fairly small. For all of 2003, the average price of all milk is expected to decline 50 cents to \$1 from 2002's \$12.12 per cwt. Milk prices last year were the lowest since 1979.

Retail prices of dairy products averaged only fractionally higher in 2002 and were below a year earlier during the second half of the year. The farm-to-retail price spread grew considerably, after it declined significantly in 2001 because of farm and wholesale price jumps. Retail dairy prices in 2003 are projected to be about unchanged.

Largest Cow Slaughter Since 1997

First-quarter cattle slaughter and beef production are expected to average about 1 percent below a year earlier. Both steer and heifer slaughter are averaging below year-earlier levels, with slaughter weights fluctuating, but averaging near to below last year's records. Fed cattle prices are likely to average \$77 to \$78 per cwt this winter, up about \$7 from a year earlier. However, both Utility cow and feeder cattle prices are under pressure from deteriorating forage conditions. Both Utility cow and yearling feeder cattle prices are likely going to average about \$2 a cwt under last winter. Fed cattle prices have been very strong this winter, but much uncertainty exists over the next couple of quarters, particularly with an uncertain macroeconomic climate. Typically, yearling feeder cattle prices trade at an \$8 to \$15 premium over fed cattle prices, however the unusually strong fed cattle prices and future economic uncertainty combined with large cattle feeding losses over the past couple of years is resulting in a \$7- to \$8-discount. Higher grain prices and forage uncertainties, which could push more cattle into feedlots, are also forcing prices lower.

While steer and heifer slaughter is down, cow slaughter is at the highest levels since 1997. Dairy cow slaughter is up because of poorer returns and large numbers of dairy replacement heifers available. Producers are culling their poorer cows, and replacing them with more productive heifers. Dairy cow slaughter through February is up about 10 percent compared with last winter. Beef cow slaughter is up about 3 percent. However, this increase reflects continued deterioration in forage conditions and a much colder winter than the industry has experienced over the past couple of years. Typically with a larger proportion of the much heavier dairy cows in the slaughter mix, average cow slaughter weights would rise. However, this winter cow weights have been averaging near to below year-earlier levels, reflecting much lower beef cow conditions and consequently lighter slaughter weights. This reflects the amount of pressure on the forage supply and the importance of spring pasture growth. The industry needs additional forage as soon as possible, and many areas remain very dry. In fact, the drought area has expanded since last

fall. Other areas that have had the drought cycle broken still need early growth so spring grazing gets off to a good start.

Beef and Cattle Trade: Perspective on 2002 and Expectations for 2003

Beef Exports

While bouncing back from a poor showing in 2001, U.S. beef exports of 2.45 billion pounds in 2002 fell short of the record level achieved in 2000. Weighing on the market in 2002 was a 23-percent decline in exports to Japan, the largest U.S. market, because of consumer concerns about Bovine Spongiform Encephalopathy (BSE). Exports to Mexico continued the strong upward trend of recent years, increasing by 18 percent, while exports to Canada increased a little over 3 percent. Exports to South Korea surged by 73 percent in 2002, albeit from a relatively weak level the previous year, to put exports to that country back on their strong upward trend of recent years. Exports to the category of "other" countries increased by over one-third, helped by expanding markets in the rest of Asia, but particularly China. Exports to Russia more than doubled, as that country continued recovery from its economic downturn of recent years. Only the Caribbean market showed no significant growth.

The decline in Japan's beef imports began in late 2001 as a result of the discovery that three Japanese dairy cows were infected with BSE. By the month following confirmation of the first case on September 10, 2001, Japan's beef consumption had plummeted nearly 60 percent compared with levels earlier in the year. U.S. beef exports to Japan, which had averaged nearly 90 million pounds a month (carcass weight) the first 10 months of 2001, dropped to 62 million pounds in November. Exports then ranged from 56 million to 68 million pounds per month until they began to increase sometime in the summer of 2002. Later-year exports were encouraged by a sustained increase in Japanese consumption and the decline in stocks that began late in the winter of 2002. By the end of 2002, stocks had returned to pre-BSE levels while consumption had returned to 85 percent of pre-BSE levels.

U.S. exports of beef to Japan are expected to increase in 2003 as Japanese consumption slowly increases towards its pre-BSE levels. However, due to the sharp drop in imports in 2001/02 because of BSE, any substantial recovery in imports is likely to exceed the trigger level on Japan's safeguard system for beef in the second calendar quarter of 2003. If beef imports surpass the trigger, Japan may invoke its right under the safeguard system to temporarily raise beef import tariffs from its currently applied 38.5 percent to a maximum 50 percent bound rate agreed to under the 1994 Uruguay Round (UR) trade agreement. The United States and Australia are attempting to convince the Japanese government not to impose the safeguard. While the effect of such higher tariffs on Japanese imports of U.S. beef are difficult to quantify, they are likely to combine with other factors to limit the increase in U.S. beef exports in 2003.

Total U.S. beef exports are expected to be up 4-5 percent in 2003 as demand shifts outward in most major U.S. markets--most importantly, Japan--continue. However, this increased demand is expected to combine with a 4-percent decline in U.S. beef production to substantially increase U.S. beef prices this year. These higher prices are expected to be the major factor limiting demand growth. For example, the Nebraska Choice steer price is expected to average nearly \$76 per cwt, compared with slightly over \$67 last year, an increase of over 13 percent. These higher prices may be exacerbated in Japan by the higher safeguard tariffs and in Mexico by a weak peso. Shifts in demand are expected to be much weaker in Korea this year as that country continues to experience an economic slowdown that began late last year.

Beef Imports

Beef imports were 3.2 billion pounds in 2002, up 1.7 percent over the previous year and the smallest percentage increase since 1996. U.S. beef imports have exhibited an upward trend for the last several years, largely to compensate for lower amounts of lean processing beef available from cyclically decreased cow slaughter. Between 1996 and 2002, cow slaughter declined from 7.27 million to 5.76 million, or by 21 percent, with the larger declines occurring earlier in the cycle. Consequently,

imports have increased by smaller increments in the last several years of this cattle cycle than in the earlier years. Over the past two years, the increase in beef imports was limited because more cows were slaughtered than otherwise would have been the case as a result of drought conditions in parts of the United States.

Of the three major suppliers of beef to the United States, only Canada supplied more beef in 2002 than in the previous year. Imports from Canada increased by nearly 11 percent last year because Canada also suffered from drought, which forced both the slaughter of cows and earlier-than-normal slaughter of animals from feedlots because of drought-limited forage and feed grain supplies. Large amounts of both middle cuts, as well as processing beef were imported from Canada.

Imports from Australia and New Zealand in 2002 were down 1 percent and 5 percent, respectively, from the previous year. It is not possible to verify that Australia filled its tariff-rate import quota (TRQ) last year, since the last posting of within-quota imports by the Customs Service for 2002 was December 23rd. Complicating this calculation is that in both years, some Australian product was declared in the "over-quota" tariff codes before yearend. Australia did fill its TRQ in 2001, however, suggesting that a slight shortfall may have occurred last year. New Zealand clearly fell about 5 percent short of its TRQ in 2003, however. Exports from both countries were adversely effected by appreciation in their currencies against the U.S. dollar, as well as lower-than-expected demand in the United States, both as a result of drought-related cow slaughter and a weaker-than-expected fast food industry in the United States.

Beef imports are expected to increase nearly 3 percent in 2003, to 3.3 million pounds, largely as a result of a 4-percent decline in cow slaughter. Most of the additional imports will flow from New Zealand, which has larger supplies available following herd rebuilding. Beef supplied to Canada from New Zealand last year will be freed up for export to the United States by New Zealand this year, as a result of Canada again allowing imports of fresh/chilled and frozen product from Uruguay and possibly Argentina. Product from Argentina and Uruguay had been barred from North America since late-2001 because of

outbreaks of foot-and-mouth disease (FMD) in those countries. While the United States is not expected to allow imports of fresh/chilled or frozen product from Argentina this year a review is under way that may open the market for these products from Uruguay by yearend.

The absence of South American processing beef from the U.S. market until at least late this year is likely to add to upward pressure on the prices of lean processing beef, as grazing conditions improve and cow slaughter declines in the second half of 2003. The price of domestic 90-percent lean trimmings is likely to exceed the levels reached last year by amounts sufficient to draw in needed supplies. In spite of Australia having less beef available as a result of last year's drought-induced slaughter, higher U.S. prices may draw Australian product away from other markets. Higher prices may also draw in additional supplies of Canadian-processing beef, freed up by the renewed availability of South American supplies to Canada.

Live Cattle Trade

The United States increased its net imports of live cattle in 2002 by 270,000 head, or by 14 percent, to 2.26 million over the level in 2001. This was the third straight year of increased net imports of live cattle and the largest level since the record 2.69 million recorded in 1995. Contributing to increased net imports was a 56 percent drop in live cattle exports to Canada and a 41-percent increase in imports of live cattle from Canada. The increase in net imports of live cattle would have been even greater last year had it not been for a 28-percent decline in imports of cattle from Mexico.

Drought in western Canada was the major driving force behind live cattle trade in 2002, as the year began with drier-than-normal conditions in western Canada and limited feed grain carry-over from a 2001 drought. Consequently, 2002 began with lower feeder cattle exports from the northern United States than in the previous year, and higher

imports of feeder cattle from Canada. By late last summer it had become evident that drought in western Canada would significantly reduce feed grain supplies. The decline in U.S. feeder cattle exports accelerated from being down 38 percent in the first half of the year to down 68 percent during the second half of 2002 compared with the same period a year earlier. Imports of cattle from Canada were up 18 percent in the first half of 2002 and 39 percent during the last half. Imports from Canada also included large numbers of slaughter animals.

The decline in cattle imports from Mexico occurred because of declining cattle inventories in Mexico, lower feeder cattle prices in the United States, better pasture conditions in Mexico and higher health standards imposed on imported Mexican feeder cattle to protect U.S. herds from tuberculosis (TB). The Mexican cattle inventory dropped from 22.5 million to 21.3 million animals between the beginning of 2001 and the beginning of 2003, suggesting that fewer young animals were available for export in 2002. Meanwhile, U.S. feeder cattle prices that had exceeded \$90 per cwt in the third quarter of 2001 averaged only \$80 in 2002. Furthermore, rain in Mexico last year provided enough forage to encourage Mexican ranchers to graze more of their reduced numbers of animals rather than send them north. Finally, new rules from USDA's veterinary services required a higher level of proof that imported cattle originate from herds that had recently been tested for TB.

Much of what happens to live cattle trade in 2003 will again be weather-driven. Assuming normal weather in North America this year, net cattle imports are expected to be marginally above last year. Net imports from Canada are expected to decrease later this year if it becomes apparent that country will have near-average feed grain crops and grazing conditions. Imports from Mexico are expected to increase in response to substantially higher U.S. feeder cattle prices, particularly in the second half of the year, in spite of limited inventories. Mexican ranchers are expected to satisfy the new rule on TB testing.

First-Quarter Hog Slaughter Larger Than Anticipated

U.S. processors continued to slaughter hogs, through February, at rates that exceeded earlier expectations. First-quarter 2003 slaughter is now expected to exceed year-earlier levels by more than 2 percent. Part of the reason for the higher-than-anticipated slaughter may be that producers are sending more gilts to slaughter than is seasonally typical. In fact, the *Monthly Hogs and Pigs* report (released February 28, 2003 by USDA/NASS) shows year-over-year reductions of 3 percent in monthly inventories of sows and gilts for December-February.

The higher slaughter is expected to push pork production almost 3 percent above first-quarter 2002 levels. First-quarter hog prices (barrow and gilt: national base live equivalent) are expected to range between \$35 and \$36 per cwt. USDA will release the *Quarterly Hogs and Pigs* report on March 28, 2003.

Estimated Packers' Margins Running Ahead of Last Year

Estimated packers' margin (equal to Estimated Pork Carcass Cutout minus National Base Cost) for January-February averaged 59-percent above the same period of 2002. Despite lower pork product prices, packer margins are higher this year, largely because costs of major inputs-- hogs-- are lower than in the same period last year. The average January-February Composite Cutout was 9-percent lower than in the first 2 months 2002. In fact, of the 6 primal pork cuts (loins, butts, picnics, ribs, hams, bellies) that comprise the Composite Cutout, only belly prices traded at prices above those of January-February 2002. On the other hand, packers paid almost 14-percent less for 51-52 percent lean hogs, as measured by the National Base Lean Slaughter Cost. Thus, U.S. packers began 2003 with higher margins largely because they are paying lower prices for hogs

Exports and Imports Increase in 2002

The United States exported 1.6 billion pounds of pork in 2002, an increase of 3.5 percent over the

previous year. Exports last year thus accounted for 8 percent of 2002 U.S. pork production, and represented the 11th consecutive year-over-year export quantity increase. The top three major foreign markets for U.S. pork products in 2002 were Japan (48 percent), Mexico (19 percent), and Canada (12 percent). Taken together, these three markets comprised 79 percent of U.S. exports last year. The United States is expected to increase exports of pork products in 2003 by 2 percent.

Japan imported 5-percent more U.S. pork products last year than in 2001. Japanese demand for U.S. pork products increased despite lackluster economic growth and higher minimum import prices imposed by Japan's Safeguard. Domestic pork production was lower, however, suggesting that imported products contributed to maintaining established consumption levels. U.S. exports to Japan in 2003 are expected to be slightly higher than in 2002.

Small increases in Mexican pork production may also explain the small decline in pork imports from the United States, but weaker economic growth and a weaker peso are likely factors as well. U.S. exports to Mexico in 2003 remain uncertain with the ongoing antidumping investigation by the Mexican Government against imported U.S. pork products.

The small increase in Canadian demand for U.S. pork products last year likely reflects ongoing integration of U.S. and Canadian pork industries. The United States is expected to increase pork exports to Canada in 2003, along the same order of magnitude as last year.

Two smaller Asian markets--South Korea and Taiwan--accounted for a larger share of U.S. exports last year, than in 2001. The South Korean market represented almost 5 percent of U.S. exports last year (versus 2.5 percent in 2001). The U.S. agricultural attaché in South Korea, attributes increased Korean demand for imported meat products to several factors, the most important of which include the changing "...dietary pattern from grain/vegetable based, to a more meat-based diet. The appreciation of the Korean won against the

U.S. dollar is also playing a favorable role in enhancing meat imports.”

Taiwan accounted for 3-percent of U.S. exports in 2002, as compared with 1.6 percent in 2001. Taiwan’s imports of pork products increased as its hog inventory continued to contract, following the 1997 FMD outbreak, and WTO accession last year. Taiwan’s current system of TRQs for pork bellies and variety meats will be liberalized and subject to tariffs only, in 2005. Increases in U.S. exports to both South Korea and Taiwan in 2003 are likely, but are contingent on the ability of U.S. products to compete favorably in South Korea against Canadian and European products; in Taiwan, imported U.S. pork products compete mainly with those of Canadian origin. USDA will release *Livestock and Poultry: World Markets and Trade*, on March 20, 2003.

Russia’s share of total U.S. pork exports declined to 2.6 percent in 2002, from a 5.3-percent share of U.S. exports in 2001. The largest foreign suppliers of pork products to Russia in 2002 were Brazil (with a 60-percent share of total Russian pork imports), the EU (18 percent), and China (11 percent). Canada accounted for 4 percent of Russian pork imports last year.

It is likely that Russian demand for U.S. pork products will continue to lag in 2003, due to a new set of meat import policies currently being implemented by the Russian Government. On January 23, 2003, the Russian Commission on Protective Measures in External Trade and Customs and Tariff Policy published three decrees announcing the implementation of an import quota for poultry and TRQs for beef and pork. The Commission introduced a 450,000 metric tons (MT) TRQ for pork under HS 0203 (fresh and frozen pork). The in-quota duty for pork will be 15 percent, but not less than 1.06 euros/kg. The over-quota duty for pork will rise to 80 percent. The beef and pork TRQs will be implemented on April 1, 2003, with 90 percent of the TRQ volume allocated on a pro-rated basis to importers based on

historical imports during the period 2000-2002. There is no country allocation for either commodity. The remaining 10 percent of the quotas for beef and pork will be allocated by auction. For pork, 33,750 tons will be divided into 33 lots of 1,000 tons and one lot of 750 tons. The auction will be conducted in May 2003, one month after implementation of the TRQs. For 2003, the 9-month pro-rated TRQs are 337,500 MT for pork. Former Soviet Union countries (i.e. Ukraine) are exempted from the TRQ. Officially, the TRQ system could remain in place until 2010.

In 2002, the United States imported 1.1 billion pounds of pork products, an increase of almost 13 percent over 2001. Most of the increase came from Canada, whose exports to the United States increased 15 percent. Denmark’s exports to the United States in 2002 increased 2 percent over 2001. U.S. pork imports in 2003 are expected to increase, but at a slower rate than in 2002 given expectations for a lower exchange rate for the U.S. dollar. Increased U.S. imports from Canada represent the growing irrelevance of the U.S.-Canada (geographic) border, with respect to pork trade. Large U.S. imports are an ongoing indication that purchasing agents in the United States, whose objective is to secure pork products for sale and distribution in North American retail and foodservice outlets, are willing to source products wherever in North America pork product costs are minimized.

The United States imported 5.7 million hogs last year, most of which were of Canadian origin, and 65 percent of which were feeder pigs. Live hog imports in 2003 are expected to be about the same as last year, given slower hog sector expansion in Canada (i.e., Canadian hog producers reported 14.7 million head on farms, as of January 1, 2003, 2.5 percent higher than last year, but hog inventory growth has averaged 5 percent over the past 5 years). Also, Canadian producers have concerns about the implementation of the U.S. Country of Origin Labeling law in 2004.

Broiler Production Down in January, Lower Production Expected in 2003

Broiler production for January 2003 was estimated at 2.748 billion pounds, down 1.1 percent from the previous year. With weekly chick placements continuing to be lower than the previous year, the forecast for broiler production in the first quarter of 2003 is now 7.725 billion pounds, 1.2 percent down from the previous year. The estimates for the second and third quarters have also been lowered to 8.200 billion pounds, making the overall estimate for 2003, 32.325 billion pounds, just barely above 2002. This is the smallest increase in broiler production since 1973.

Revisions in broiler production contained in the Poultry Slaughter Annual Summary for 2002 lowered total broiler production for 2002, to 32.240 billion pounds, up 3.1 percent from 2001. The increase is the result of a 1.7-percent increase in the number of broilers slaughtered and a 1.6-percent increase in the average weight at slaughter.

One of the results of falling broiler production has been gradually increasing prices for some broiler products at both the wholesale and retail levels. Over the first 2 months of 2003, the 12-city whole broiler price has averaged 60.5 cents a pound, 7.2 percent higher than during the same time in 2002. Prices have also risen for breast meat products. Prices for boneless-skinless breasts in the Northeast market averaged 135.8 cents a pound during January and February, about 13 percent higher than the previous year. Prices for rib-on breasts averaged 83.5 cents a pound, up 37 percent from the same time in 2002. These prices have risen the most because these products are sold primarily in the domestic market. Prices for other broiler products that are more dependent on the export market, while moving higher during January and February are still below their year-earlier levels. Leg quarter prices averaged 20 cents a pound, up significantly from their average price over the second-half of 2002, but still below where they were at the start of 2002. The same pattern can be seen for wings, thighs and drumsticks, which have increased since the end of 2002, but still remain below a year earlier. With a forecast of lower production through the first three-quarters of 2003, domestic broiler prices are expected to strengthen

further, given no additional disease outbreaks or disruptions to broiler exports.

Disease Issues Continue To Affect Poultry Industry

Disease outbreaks continue to cloud the outlook for the domestic industry both in terms of lower production and lost export opportunities. The outbreak of Exotic Newcastle Disease (END) in the West has continued to spread with smaller outbreaks in Arizona. However, no new END cases have been reported in California, the State that has been most severely affected by the outbreak. The latest disease problem has been in Connecticut where officials have placed some egg laying operations under quarantine as they test to see if the birds have been infected with Avian Influenza (AI). The AI outbreak in Connecticut is expected to be of the low-pathogenic variety. In response to the reports of the outbreak in Connecticut, importing countries such as Japan and Korea have placed a temporary ban on the importation of poultry and egg products from the United States. The ban placed on imports of U.S. poultry and egg products will likely remain in place until the Japanese and Korean Governments are given information by APHIS on the extent and severity of the outbreak. As of March 12, Japan has lifted its ban on all U.S. poultry products, but the ban on products from Connecticut remain in effect.

The United States is not alone in dealing with poultry disease outbreaks. Presently the Netherlands is dealing with an outbreak of high-pathogenic AI in broiler flocks. The Netherlands is one of the largest broiler producers in the EU. Some countries normally importing from the Netherlands are likely to restrict imports until the extent of the outbreak is known.

Turkey Production Seen Down in 2003

Turkey production in 2003 is forecast at 5.675 billion pounds, down less than 50 million pounds or 0.7 percent lower than the previous year. With beginning stocks up considerably from the previous year and limited growth expected in exports, turkey prices are expected to be relatively flat in 2003,

especially for turkey parts. In 9 of the last 11 months, the number of poults placed for growout has been below the level of the same month the previous year.

The lower poult placements during most of 2002 are expected to result in lower turkey production in the first two quarters of 2003. While beginning stocks in 2003 for turkey parts were 68 percent higher than in the previous year, stocks of whole birds at the start of 2003 were down 10 percent. The smaller stocks for whole birds and the lower

production has pushed the 3-region average price for whole birds higher in January and February, after being lower on a year-over-year basis for the previous 20 months.

Revisions in turkey production lowered 2002 production to 5.713 billion, down slightly from the earlier estimate and 2.7 percent higher than the previous year. Like broilers, the increase in turkey production was a result of both higher numbers of birds going to slaughter (up 0.7 percent) and an increase in their average weight (up 2.5 percent).

Contacts and Links

Contact Information

Leland Southard (coordinator)	202-694-5187	southard@ers.usda.gov
David J. Harvey (poultry)	202-694-5177	djharvey@ers.usda.gov
Ron Gustafson (cattle)	202-694-5174	ronaldg@ers.usda.gov
Dale Leuck (beef trade)	202-694-5186	djleuck@ers.usda.gov
Keithly Jones (sheep and lambs)	202-694-5172	kjones@ers.usda.gov
Mildred Haley (hogs/pork)	202-694-5176	mhaley@ers.usda.gov
Jim Miller (dairy)	202-694-5184	jjmiller@ers.usda.gov
LaVerne Williams (statistics)	202-694-5190	lwilliam@ers.usda.gov
Laverne Creek (web publishing)	202-694-5191	lmcreek@ers.usda.gov
Donald Blayney (dairy)	202-694-5171	dblayne@ers.usda.gov

Subscription Information

Subscribe to ERS e-mail notification service at <http://www.ers.usda.gov/updates/> to receive timely notification of newsletter availability. Printed copies can be purchased from the USDA Order Desk by calling 1-800-999-6779 (specify the issue number or series SUB-LDPM-4042).

Related Article

The following are links to recent articles (in Adobe Acrobat format).

Economic and Structural Relationships in U.S. Hog Production

<http://www.ers.usda.gov/publications/aer818/> The hog industry is becoming increasingly concentrated among fewer and larger farms, and becoming more economically efficient. Of paramount concern are increasing market control and power concentrated among packers and large hog operations, and the manure management problem posed by an increasing concentration of hog manure on fewer operations. Addressing these concerns through regulations would likely increase costs to consumers, and could result in significant changes in the location of hog production facilities, with ripple effects in local economies. [William D. McBride](#), (202) 694-5577 and [Nigel Key](#), (202) 694-5567).

Data

Retail Price Reporting for Meat

<http://www.ers.usda.gov/Data/Meatscanner/> A new ERS database contains monthly average retail prices for selected cuts of red meat and poultry, based on electronic supermarket scanner data. While not based on a random sample, the raw data underlying the database are from supermarkets across the United States that account for approximately 20 percent of U.S. supermarket sales. [Leland Southard](#), (202) 694-5187.

Web Sites

Cattle, <http://www.ers.usda.gov/briefing/cattle/>

Hogs, <http://www.ers.usda.gov/briefing/hogs/>

Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>

Dairy, <http://www.ers.usda.gov/briefing/dairy/>

WASDE, <http://www.usda.gov/oce/waob/wasde/latest.pdf>

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

Red meat and poultry forecasts

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb												
Beef	6,700	26,107	6,377	6,833	7,097	6,783	27,090	6,310	6,900	6,750	6,175	26,135
Pork	5,239	19,138	4,780	4,797	4,832	5,255	19,664	4,900	4,670	4,750	5,210	19,530
Lamb and mutton	59	223	58	54	51	56	219	51	52	50	52	205
Broilers	7,863	31,266	7,819	8,234	8,251	7,936	32,240	7,725	8,200	8,200	8,200	32,325
Turkeys	1,454	5,562	1,378	1,441	1,412	1,482	5,713	1,350	1,425	1,425	1,475	5,675
Total red meat & poultry	21,492	83,006	20,589	21,543	21,837	21,700	85,669	20,517	21,428	21,350	21,284	84,579
Table eggs, mil. doz.	1,563	6,074	1,506	1,518	1,551	1,573	6,148	1,520	1,515	1,555	1,580	6,170
Per capita consumption, retail lb 1/												
Beef	16.3	66.2	16.2	17.6	17.4	16.7	67.9	15.8	17.7	17.1	15.2	65.8
Pork	13.5	50.2	12.4	12.7	12.8	13.8	51.7	12.6	12.2	12.5	13.5	50.7
Lamb and mutton	0.3	1.1	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.1
Broilers	18.8	76.6	19.3	20.9	20.7	20.0	80.8	19.0	20.6	20.1	19.9	79.7
Turkeys	5.6	17.5	3.5	3.9	4.4	5.9	17.8	3.7	3.9	4.3	5.8	17.6
Total red meat & poultry	54.9	213.3	52.3	55.8	56.1	57.2	221.4	51.9	55.2	54.7	55.2	216.9
Eggs, number	64.5	252.6	62.6	62.9	64.3	64.8	254.6	62.5	62.3	63.8	64.7	253.3
Market prices												
Choice steers, Neb., \$/cwt	65.13	72.71	70.19	65.58	63.29	69.10	67.04	77-78	72-76	72-78	74-80	74-78
Feeder steers, Ok City, \$/cwt	85.37	88.20	81.24	76.96	78.87	83.08	80.04	79-80	82-86	85-91	88-94	84-88
Boning utility cows, S. Falls, \$/cwt	39.23	44.39	41.56	42.28	37.69	35.69	39.23	39-40	44-46	44-48	44-46	43-45
Choice slaughter lambs, San Angelo, \$/cwt	62.76	72.04	66.62	66.00	74.60	83.00	72.56	90-91	83-87	80-86	79-85	83-87
Barrows & gilts, N. base, i.e. \$/cwt	37.30	45.81	39.43	35.03	33.86	31.34	34.92	35-36	39-41	38-42	36-38	37-39
Broilers, 12 City, cents/lb	58.50	59.10	56.00	56.10	56.40	53.70	55.60	60-61	60-64	60-66	60-64	60-64
Turkeys, Eastern, cents/lb	71.40	66.30	60.00	62.90	66.70	68.20	64.50	61-62	62-66	65-71	71-77	65-69
Eggs, New York, cents/doz.	68.20	67.20	69.10	58.40	65.30	75.40	67.10	77-78	63-67	67-73	77-83	71-75
U.S. trade, million lb												
Beef & veal exports	610	2,269	572	601	662	612	2,447	640	650	650	625	2,565
Beef & veal imports	689	3,164	737	934	839	708	3,218	790	910	840	725	3,265
Lamb and mutton imports	36	146	48	44	32	38	162	44	43	35	42	164
Pork exports	403	1,560	382	416	401	415	1,614	405	425	400	415	1,645
Pork imports	263	951	235	262	275	299	1,071	250	270	275	285	1,080
Broiler exports	1,402	5,555	1,204	1,119	1,257	1,219	4,800	1,250	1,250	1,300	1,325	5,125
Turkey exports	123	487	129	107	100	103	439	115	110	115	130	470

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.

ECONOMIC INDICATOR FORECASTS ^{1/}

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 1996 dol.)	9,248	9,215	9,363	9,388	9,465	9,503	9,436	9,554	9,619	9,701	9,786	9,672
CPI-U, annual rate (pct.)	-0.4	1.9	1.4	3.4	1.9	2.4	2.3	2.5	2.1	2.0	2.2	2.2
Unemployment (pct.)	5.6	4.8	5.6	5.9	5.7	5.9	5.8	6.0	6.0	5.9	5.7	5.9
Interest (pct.)												
3-month Treasury bill	1.9	3.4	1.7	1.7	1.6	1.3	1.6	1.2	1.3	1.5	1.8	1.4
10-year Treasury bond yield	4.8	5.0	5.1	5.1	4.3	4.0	4.6	4.0	4.2	4.4	4.6	4.3

1/ Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2003.

DAIRY FORECASTS

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,106	9,114	9,112	9,149	9,153	9,148	9,141	9,140	9,110	9,070	9,030	9,090
Milk per cow (pounds)	4,497	18,158	4,653	4,811	4,566	4,543	18,573	4,705	4,875	4,635	4,665	18,880
Milk production (bil. pounds)	40.9	165.5	42.4	44.0	41.8	41.6	169.8	43.0	44.4	42.0	42.1	171.6
Commercial use (bil. pounds)												
milkfat basis	43.8	169.6	40.7	42.1	43.8	43.8	170.5	41.6	43.5	44.4	45.0	174.5
skim solids basis	41.1	163.8	39.3	40.6	42.3	41.2	163.4	40.0	42.0	43.0	42.7	167.7
Net removals (bil. pounds)												
milkfat basis	0.0	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.9	0.2	0.3	1.7
skim solids basis	1.3	5.8	2.7	3.5	2.1	1.5	9.8	2.9	2.6	1.1	0.8	7.5
Prices (dol./cwt)												
All milk ^{1/}	14.50	14.97	13.07	12.10	11.37	11.93	12.12	11.35- 11.55	10.50- 11.00	10.70- 11.50	11.70- 12.70	11.10- 11.70
Class III	12.57	13.10	11.38	10.59	9.59	10.10	10.42	9.50- 9.70	9.35- 9.85	9.55- 10.35	10.15- 11.15	9.65- 10.25
Class IV	12.18	13.76	11.48	10.73	10.36	10.52	10.81	9.75- 10.05	9.45- 10.05	9.65- 10.55	9.90- 11.00	9.70- 10.40

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