

Briefs

Livestock, Dairy, & Poultry

Drought Delays Cattle Herd Expansion

Drought since 2000 in many areas, particularly the Southern Great Plains and Pacific Northwest, combined with the harshest winter since 1992/93, have delayed cattle herd expansion until 2004, despite relatively strong prices that normally result in heifer retention for breeding. The additional heifers in feedlots have increased beef production in the near term.

Poor weather conditions curtailed beef supplies this past winter and spring, resulting in sharply higher fed-cattle prices and record retail beef prices. Although the cattle-on-feed inventory at the beginning of the year was 3 percent above a year earlier, first-half beef production was 5 percent lower as both marketings and slaughter weights declined. Steer and heifer slaughter weights were on a record-setting path until December when harsh weather conditions began affecting feedlot performance. Compared with a year earlier, average weights in March were down 17 pounds to 771 pounds for steers and down 16 pounds to 715 pounds for heifers.

With poor grazing conditions in 2001, many heifers have been placed on feed for marketing rather than entering the breeding herd, a pattern repeated from last year when moisture conditions were similar. On July 1, nearly 3.9 million heifers were on feed, 41 percent of on-feed inventories. This is up sharply from 2.1-2.5 million head in 1992-94, only 34 percent of on-feed inventories when producers were most recently rebuilding their herds. Large numbers of this year's calf crop are entering feedlots rather than remaining on pastures due to poor forage prospects.

Feedlot placements in June were 20 percent above a year earlier, while July placements were up 4 percent. Poor moisture conditions through most of August resulted in another month of large placements, though down 9 percent from 2000 and 1999, leaving total cattle-on-feed inventories on September 1 up 5 percent from a year earlier. Many of these cattle normally would not have been placed on feed until

this fall or as light yearlings in late winter. Several factors will likely reduce placements in late summer through fall—declining total cattle inventories since 1996, another smaller calf crop this year, and a large proportion of this year's calf crop already placed on feed.

Based on large on-feed inventories and a slow marketing pace through August, marketings in late summer through fall should rise above year-earlier levels. With higher marketings and a return to record slaughter weights under much-improved feedlot conditions, beef production has been revised upward for the second half of 2001 from earlier estimates.

Large supplies of fed beef and seasonally large pork supplies likely will result in declining beef prices through late fall, although prices are expected to remain well above last year's \$3.11 per pound second-half average for Choice retail beef. Prices for Choice retail beef peaked in June at a record \$3.48 a pound, before declining to \$3.45 in July and \$3.39 in

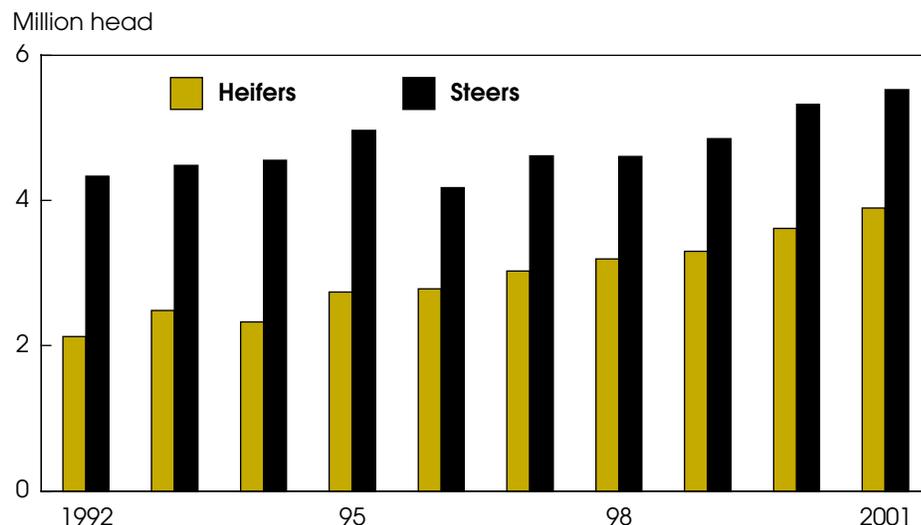
August. Declining prices and larger supplies of higher quality beef in late summer through fall are likely to support stronger exports in the second half of 2001. Second-quarter beef exports were 16 percent below a year earlier as domestic buyers outbid soft international demand for higher quality beef.

Assuming normal weather conditions this fall-winter and modest heifer retention, total beef production is expected to decline nearly 4 percent in calendar year 2002, with the largest declines occurring in the second half of the year.

Fed-cattle prices are likely to average near \$80 per cwt in 2002, up from the mid-\$70s this year. Feeder-cattle prices are expected to continue strong over the next several years as supplies decline. However, larger supplies of competing meats in 2002 will hold down beef price gains and, consequently, feeder-cattle price gains.

Late summer and fall forage availability will determine the extent of decline in beef supplies in 2002 and affect the timing of herd rebuilding. Today's large on-feed inventories and record weight trends will support supplies only through the first quarter of 2002. Moisture conditions began to improve in some areas in late

Rising Numbers of Heifers Placed in Feedlots Rather Than in Breeding Herd



Cattle-on-feed inventory on July 1 in feedlots with at least 1,000 head (seven major states).

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August, and improving fall-winter grazing prospects, combined with already higher calf prices, could trigger strong heifer retention from the 2002 calf crop and herd expansion in 2004. This reduction in heifers available for the feeder-cattle supply would reduce beef supplies beginning in the second half of 2002, beyond the amount resulting from the expected downtrend in feedlot placements through fall 2001.

Normal rainfall and the resulting favorable pasture conditions for fall and winter grazing would also stabilize cow inventories and slow expected declines in beef pro-

duction beginning next year. Poor weather conditions in recent months and concerns for forage supplies this winter have led to sharply higher beef cow slaughter.

The market is entering a cyclical period when cattle feeders and stocker operators usually lose money as costs rise for purchases from this year's calf crop. At the same time, cow-calf producers usually turn a profit and, weather permitting, can begin to retain heifers for expansion.

AO

*Ron Gustafson (202) 694-5174
ronaldg@ers.usda.gov*

Some of the 2000 fresh-market storage apple stocks were diverted to the processing sector and other uses (such as the school lunch and domestic feeding programs). This and the expected smaller 2001 crop, particularly in Washington, will help ease any supply pressure in the 2001/02 (August-July) season. Fresh-market supplies in 2001/02 are anticipated to be below last year's and will likely result in higher prices, increased fresh apple imports, and reduced fresh apple exports. During 2000/01, fresh-market supplies were up 4 percent from the previous year, and the season-average farm price for fresh-market apples declined 16 percent to 17.9 cents per pound. Retail prices for Red Delicious apples mirrored the pattern in grower prices during 2000/01 and averaged 66.1 cents per pound, down 30 percent from the previous season.

U.S. production of apples for the processing sector in 2001 will also likely be limited. Many Eastern states, where a large proportion of production is used for processing, are expected to harvest smaller crops. In addition, although combined production in the Central and Eastern states is expected to be 2 percent higher than a year ago, the much smaller crop in Washington will likely bring overall production of processing apples down from last year. Washington accounts for over one-third of processing apple production.

Reduced supplies and lower stocks of processing apples will help boost grower prices for processing apples. However, stocks of 2000 fresh-market apples being diverted to the processing sector and other uses will likely mitigate some of the upward pressure on prices. Production of processing apples was down in 2000 from the year before, but large carryover stocks from the 1999/2000 season, along with increased imports of apple juice and cider, contributed to lower grower prices. The 2000/01 season-average grower price for processing apples was \$103 per ton, down 20 percent from the previous season.

Increased production in the fall of 2000 reduced imports of fresh apples during the 2000/01 season. U.S. imports from August 2000 through June 2001 totaled 301.5 million pounds, down 5 percent from the same period the year before. About 94 percent of this volume came from the three

Specialty Crops

2001 U.S. Apple Crop Smaller, Prices Likely to Rise

According to USDA forecasts, U.S. apple production in 2001 is 9.6 billion pounds, down 10 percent from a year ago and the smallest crop since 1988. Production is down both in the Western and Eastern regions (16 percent and 3 percent, respectively), offsetting increased production in the Central region (up 12 percent). Because of the smaller apple crop this year, and less competition from a smaller pear crop this fall, apple prices in 2001/02 will likely increase. Reduced supplies and higher prices will limit both domestic and export demand for U.S. apples, especially in the fresh-market sector. Domestic consumption of fresh apples is expected to decline from last year's estimate of 17.9 pounds per person.

All Western apple-producing states, except California, are expected to harvest smaller crops of apples this fall with the region producing a total of 5.9 billion pounds. Washington, which produces over half the nation's apples and is the largest producer for both the fresh and processing markets, is expected to produce only 4.9 billion pounds, down 17 percent from 2000.

Besides being in its "off" production year (Washington produced a near-record large crop in 2000), weather-related issues and a drop in bearing acres have contributed

to the state's anticipated smaller crop this fall. In addition to the stress on trees resulting from below-average rainfall during the spring, the combination of heavy winds and hail from a storm in June caused severe damage to orchards in the Yakima Valley. Hailstorms and unfavorable weather during bloom also reduced production in the Wenatchee area.

In California, the second-largest apple-producing state in the region, weather was generally favorable and was conducive to increased production. Meanwhile, decreased production in other Western states can be attributed partly to crop damage caused by hail, early-season frost, and late-season drought. Weather problems also affected apple production in many Eastern states, but generally favorable weather improved apple crops in most Central states except Ohio.

As of July 1, 2001, U.S. apple holdings as reported by the U.S. Apple Association totaled 21.3 million bushels, up 9 percent from the same time last year and 26 percent higher than the 5-year average. Fresh apple holdings (mostly Washington apples in controlled atmosphere storage) were up 16 percent, while total processing holdings were 8 percent lower.