

### ***Production Grows, but Exports Decline in 2002***

U.S. poultry (broiler, turkey, and other chicken) production in 2002 reached 38.1 billion pounds on a net ready-to-cook (RTC) basis, up 3.2 percent from 2001. Domestic consumption increased 5.7 percent over 2001, absorbing the increased supplies available on the domestic market as exports fell by 13.6 percent. The decrease in exports was due mainly to lower broiler shipments, which were impacted by a ban over part of the year on exports to Russia and partial bans by other countries in response to disease outbreaks in the United States. For both broilers and turkey, falling exports also led to increases in stocks, placing downward pressure on prices.

In 2003, poultry production is expected to be down slightly from 2002. Total poultry exports are forecast to increase, but remain well below the record levels in 2001. Exports to Russia over the first half of 2003 are expected to rise compared with reduced levels of 2002. However, exports to Russia in the second half of the year will be limited by the quotas that have been placed on poultry imports.

### ***Broiler Prices Down in 2002; But Expected To Be Higher in 2003***

Federally inspected net broiler production rose 3.1 percent in 2002, to 31.9 billion pounds. However, production is expected to fall in 2003, with net broiler production expected to decline slightly from 2002. The increase in broiler production in 2002 was the result of a 1.6-percent increase in the number of birds slaughtered and a 1.5-percent increase in average bird weights.

The wholesale composite price for chicken fell by 9 percent in 2002, to 56.2 cents a pound, but the composite retail price for chicken rose by 2.5 percent. The decline in the wholesale composite price was primarily a reflection of lower prices for wings, drumsticks, and thighs as wholesale prices

The growth in the retail composite chicken price also reflects the relative strength of breast meat prices, as increases in breast meat prices offset declining prices for whole birds and legs.

Total U.S. broiler exports fell by 13.6 percent in 2002. The exports of 4.8 billion pounds accounted for about 15 percent of U.S. broiler production. Exports fell mainly because of the decrease in shipments to Russia, which totaled 1.5 billion pounds in 2002, down 34 percent from the previous year but still 32 percent of all U.S. broiler exports. The decrease was chiefly due to a ban that Russia had placed on imports of U.S. poultry for a portion of the year.

China and Hong Kong combined represent the second-largest market (16 percent) for U.S. broiler exports, totaling about 764 million pounds in 2002. In 2002, total broiler exports to Mexico amounted to 325 million pounds, a decrease of about 15 percent from 2001. Mexico remained the third largest market for U.S. broiler exports, but the economic slowdown that impacted the U.S. economy also impacted economic activity in Mexico. Other countries showing considerable growth in U.S. broiler imports were Korea, Guatemala, Haiti, and Cuba. Although trade regulations make exports to Cuba more difficult, broiler exports in 2002 totaled over 93 million pounds. Another interesting development was a 59-percent jump in exports to Angola. With total shipments of 105 million pounds in 2002, Angola was the ninth largest market in terms of volume.

Broiler exports are expected to increase by 4.2 percent in 2003. Although there is a quota on exports to Russia starting on May 1, total exports to Russia for 2003 are expected to be higher than in 2002. Mexico's reduction of its tariffs on many broiler products is also expected to boost shipments over the 2002 levels. With no new disease outbreaks, shipments are also expected to increase to the China/Hong Kong market and to Japan.

## ***Special Box on Russia***

Over the last several years Russia has become the key market for U.S. broiler exports. In 2001 broiler exports to Russia totaled 2.3 billion pounds or 41 percent of total U.S. exports and 7 percent of total U.S. broiler production. Starting May 1, 2003, Russia has placed a quota on imports of poultry products. The quota for May 1 through the end of 2003 will be 744,000 metric tons. Of this total the United States has been allocated 553,500 metric tons. However, 141,100 tons of the U.S. quota has been specifically put aside for imports of mechanically deboned meat (MDM). In 2002, 76 percent (521,000 metric tons) of all the U.S. broiler products shipped to Russia were frozen leg quarters. With the quota of 141,100 metric tons for MDM, this leaves only 412,300 metric tons for other products such as leg quarters. However, the 521,000 metric tons were shipped over a 12-month period.

Other markets have also been affected by various bans based on disease and food safety issues. On January 1, 2002, the Ukraine banned U.S. chicken imports, citing the use of antibiotics in U.S. broiler production and antimicrobial rinses in U.S. processing plants. The impact of the ban to the Ukraine has been hard to determine because poultry shipments have varied so widely from year to year. Exports to Japan (the fourth largest market by volume) were also interrupted by a series of bans on poultry product imports from specific U.S. States. These bans were based on outbreaks of low-pathogenic strains of Avian Influenza (AI). At different times, bans were enacted on poultry products from Pennsylvania, Maine, Virginia, West Virginia, North Carolina, and Texas.

### ***Turkey: Exports and Prices Fall Again in 2002***

U.S. turkey production in 2002 set another record, totaling 5.6 billion pounds (net RTC), 2.7 percent higher than the previous year. The increase was due to a higher number of turkey slaughtered and heavier average weights. The average wholesale whole-bird prices for hens in the East averaged 64.5 cents per pound, down 2.8 percent compared with 2001. Retail whole-bird prices also declined, dropping 4 percent. Most of the increase in

production came in the first half of the year, as production in the second half of 2002 was just over 1 percent higher than the previous year. Turkey production is expected to decrease slightly in 2003, and wholesale whole-bird prices are expected to increase 3-4 percent.

U.S. turkey exports in 2002 were 439 million pounds, down almost 10 percent from 2001. Exports accounted for about 8 percent of total production. The decrease in exports came mostly from lower shipments to Mexico. This was the second consecutive year that turkey exports had declined to Mexico, which is the largest market. Exports to Mexico were likely affected by the slowdown in its economy. Mexico imports mostly MDM and fresh and chilled turkey parts, which are used to produce sausages and other prepared meats. Adding to the decline were much lower shipments to Russia. The turkey exports to Russia were impacted by the ban on poultry imports that was in place for part of the year.

### ***Eggs: Higher Production and Falling Exports Push Consumption Upward***

Total U.S. egg production in 2002, table and hatching, totaled 7.2 billion dozen, about 1 percent more than 2001. Egg production is expected to increase only slightly in 2003. Table eggs accounted for 85 percent of total production in 2002, and are expected to maintain the same proportion in 2003. Hatching egg production declined slightly (less than a half of 1 percent), but is expected to rise slightly in 2003. The increase in 2003 is expected to come mostly from higher production of broiler-type eggs.

Wholesale table egg prices averaged 67.1 cents a dozen in 2002, almost exactly the same as in 2001. However, retail egg prices increased by 11 percent, widening the wholesale to retail spread by 48 percent. Retail egg prices had changed little over the previous several years. The wholesale egg market is a relatively thin market, where small changes in supply can have a large price impact.

Per capita egg consumption in 2002 rose slightly to 254.6 eggs, about one egg higher than the previous year. Since the mid-1990s, annual egg consumption

has jumped over 20 eggs per person. In large part this is due to increasing demand for breaking eggs by the commercial baking, confections, and fast food industries. Since 1996 the amount of eggs going to the breaking market has risen by about 25 percent and now uses about one-third of total table egg production. Wholesale egg prices in 2003 are expected to increase around 10 percent due to the slowing growth in production.

U.S. egg exports in 2002 were 174 million dozen, down 8 percent from the previous year and 2 percent of total U.S. egg production. Shell eggs

(for human consumption and hatching) accounted for almost half of total U.S. exports. Canada, Belgium, Hong Kong, Japan, and Mexico were the largest export markets, receiving nearly three-quarters of all U.S. egg exports. The 8-percent increase in exports to Belgium (due to a shortfall in European production) helped to partially offset a 26-percent decline in exports to Japan and a drop of 6 percent in shipments to Mexico. Exports to Canada were up 4.5 percent with shipments (47.4 million dozen) twice as large as those to any other country. U.S. egg exports in 2003 are expected to decline somewhat as EU egg production recovers.