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Livestock, Dairy, and Poultry Outlook

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Milk Prices To Moderate in 2005

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The next release is May 25, 2004

Approved by the World Agricultural Outlook Board.

NOTE: This issue presents the first projections of U.S. livestock and poultry product supply, use, and prices for 2005. Due to uncertainties as to the length of bans regarding the imports of ruminant products because of the discovery of a BSE-infected cow in December 2003, forecasts for 2004 and 2005 assume a continuation of policies currently in place. Subsequent forecasts will reflect any announced changes.

Milk production in 2005 is projected to rise 1 to 2 percent from 2004 on a daily average basis. Farm milk prices are expected to average $13-$14 per hundredweight (cwt) in 2005, down sharply from this year but considerably higher than the low prices of 2002 and 2003. Total U.S. meat production in 2005 is projected to increase fractionally as lower red meat production is more than offset by larger poultry production. Cattle and hog prices in 2005 are expected to average near the relatively high prices expected this year. Broiler prices are projected to fall about 3 percent in 2005 from their expected 71-75 cents per pound this year.

With milk production likely to stay below a year earlier through most of 2004, the key to how long dairy prices stay high will be the strength of demand recovery. Restaurant demand came back in the first quarter after more than 2 years of sluggishness, joining the earlier recovery in retail and (to a lesser extent) food processor use. Cheese demand was so brisk that cheese production not only pulled very large amounts of milk from other uses, but also apparently used so much nonfat dry milk in the vats that the seemingly endless surplus of skim solids virtually disappeared.

The core question for dairy markets in the coming months is how much of the recent cheese movement has actually been eaten. In extreme markets, buyers are understandably more concerned with what might happen than what is most likely to occur. Precautionary buying for future needs can easily push prices beyond sustainable levels. If declines in milk production start to ease as expected, dairy product prices probably will start to slip this summer. Even so, farm milk prices probably will be a record in 2004, up as much as $4 per cwt from 2003.

Cattle inventories continue to decline, restricting domestic beef supplies. In spite of restrictions by most countries on importing U.S. beef due to the December discovery of a dairy cow in Washington with BSE and a resulting drop in beef exports, domestic supplies cannot keep up with demand. Although prices have declined from the fall records, prices strengthened through early spring and the beginning of the cookout season. Weather conditions will be key to a shift toward broad expansion this summer as restored grazing conditions and at least moderate feed grain prices are still important variables.

Second-quarter hog prices are expected to average $50-$52 per cwt, almost 20 percent ahead of the same period last year. For the year, hog prices are expected to average $45-$47. Hog prices in 2005 will likely average about $44-$47. Significantly higher hog prices for this year come at the same time as pork production to date is running about 3 percent ahead of 2003. Production next year is expected to decline slightly from 2004.

Extraordinary consumer demand is the key factor driving 2004 hog prices higher, despite larger production. Both domestic and foreign consumers appear willing to pay higher prices for larger supplies of pork. Retail pork prices this year are expected to average in the mid-$2.70s a pound, or about 3 percent ahead of 2003. In 2005, prices are likely to run about 3-percent higher than 2004.

In 2004, table egg production is expected to increase 1.6 percent due to the buildup of the laying flocks. Wholesale prices will most likely average 95-100 cents per dozen reflecting record first-quarter levels and strong demand for animal protein foods. In 2003, prices averaged 88 cents per dozen. For 2005, wholesale table egg prices (NY grade A) are forecast to average 91-99 cents per dozen, reflecting an expected 1.4 percent increase in table egg production.

Dairy

Use Key to Continued Record Prices

Wholesale prices of dairy products varied in late April-early May. Net change generally was not much until butter and cheese prices dropped about 10 percent as mid-May neared. Meanwhile, nonfat dry milk prices moved slightly higher. Milk supplies have been considerably below a year earlier. Meanwhile, demand has been boosted by a combination of improved sales, particularly of cheese, and concern about second-half conditions.

With milk production likely to stay below a year earlier through most of 2004, the key to how long dairy prices stay high will be the strength of demand recovery. Restaurant demand came back in the first quarter after more than 2 years of sluggishness, joining the earlier recovery in retail and (to a lesser extent) food processor use. Cheese demand was so brisk that cheese production not only pulled very large amounts of milk from other uses, but apparently used so much nonfat dry milk in the vats that the seemingly endless surplus of skim solids virtually disappeared.

The core question for dairy markets in the coming months is how much of the recent cheese movement has actually been eaten. In extreme markets, buyers are understandably more concerned with what might happen than what is most likely to occur. Precautionary buying for future needs can easily push prices beyond sustainable levels. If declines in milk production start to ease as expected, dairy product prices probably will slip this summer. Even so, farm milk prices probably will be a record in 2004, up as much as $4 per cwt from 2003.

On the other hand, prices could remain quite strong if final cheese use has actually absorbed most of the recent cheese movement. Such a surge in cheese demand has not occurred in a number of years although there are a number of precedents. Consumer incomes and economic growth have been strong, but the economy seems to contain enough scattered areas of weakness to forestall such a dramatic, sustained upswing in use.

Softer 2005 Prices Seen

Dairy markets in 2005 will be greatly affected by how long 2004 prices remain at record levels. After low milk prices in both 2002 and 2003 and the peculiar set of circumstances leading to this year's price recovery, farmers likely will be reluctant to start planning expansions. Similarly, weaker producers may see any significant price decrease as a sign to leave dairying, particularly given the scheduled end of the Milk Income Loss Contracts at the end of September 2005. A few months of high prices in 2004 probably would not alter the pattern of milk cow numbers much, particularly when dairy replacement supplies are tight. On the other hand, an extended period of strong prices would tend to be viewed as a harbinger of more lasting price recovery. Milk cow numbers are expected to continue to decline in 2005 but at a slower rate than in 2004.

Milk per cow should post a relatively large increase in 2005. The presumed return of normal availability of bovine somatotropin (BST) should quickly be seen in milk per cow gains. Also, concentrate feed prices are projected to be somewhat lower than this year, leaving milk-feed price ratios no worse than slightly unfavorable. Milk production is projected to rise 1 to 2 percent from 2004 on a daily average basis.

Even though there may be some negative carryover from 2004's soaring prices, demand in 2005 is expected to be fairly strong. Economic prospects are generally favorable, and consumer spending seems to be shifting back to stronger food expenditures. In addition, some commercial exports of nonfat dry milk are possible, at least in the first half.

Farm milk prices are expected to average $13-$14 per cwt in 2005, down sharply from this year but considerably higher than the low prices of 2002 and 2003. If this year's jump in cheese demand proves larger than now seen, the decrease in 2005 farm milk prices could easily be considerably smaller.

Low Prices Boost 2003 Dairy Use

Per capita consumption in 2003 rose to 594 pounds, milk equivalent, milkfat basis, the most since 1987. However, the 2003 total represented much larger commercial use per person than during the mid-eighties. About 7 percent of the total consumption in the mid-eighties consisted of donations from government stocks; donations in 2003 were negligible. Commercial consumption in 2003 was the highest in almost 40 years.

Spurred by generally low prices, per capita consumption of most major dairy products rose slightly in 2003. Small gains were posted for butter, cheese, evaporated and condensed milk, nonfat dry milk, and frozen products other than regular ice cream. Per person use of fluid products slipped.

Although the amounts of dairy products sold in 2003 seemed impressive, demand actually was fairly weak for most of the year. Real dairy prices were very low, and consumer response to the low prices was lackluster. If 2003 demand had equaled the strength of the 1999-2001 period, more than 600 pounds per capita probably would have been needed to meet consumer desires at 2003 prices. In the longer-term perspective, 2003 demand was moderately weak and would have been very weak if not for the recovery late in the year.

Cattle/Beef

Strong Demand, Tight Supplies Result in Record Monthly Prices

Cattle inventories continue to decline, restricting domestic beef supplies. In spite of restrictions by most countries on importing U.S. beef due to the December discovery of a Canadian-born dairy cow in Washington with BSE and a subsequent sharp drop in beef exports, domestic supplies cannot keep up with demand. Although they have declined from the fall records, prices strengthened through early spring and the cookout season. The initial near-normal spring grazing season has raised prospects for diminished drought conditions in 2004. But much of the West and Northern Plains remains dry, and conditions have diminished from a year ago in the Southeast. Cow slaughter has declined sharply from the larger year-earlier levels, even after accounting for the absence of Canadian cows from the market since late May 2003. Prices for beef and dairy cows, as well as replacement heifers, have risen sharply. Weather conditions will be key to a shift toward broad expansion in breeding inventories this summer as restored grazing conditions and at least moderate feed grain prices are still important variables. Grain prices have favored herd expansion since 1995/96 when drought and record grain prices combined to set off herd liquidation. Drought has been a persistent issue in many areas since 1998.

Weather/Forage Supplies Key to 2004/05 Forecasts

Spring grazing conditions are developing favorably even in the drought areas, but the key to expansion will be conditions in June/July at the beginning of the breeding season. Hay stocks on May 1 were the largest in several years and are up 1 percent from a year earlier. Although stocks are up, the quality of the stocks and last year's harvest remain an issue. Supplies of irrigation water in many key areas are low, and harvest beyond the first cutting in all areas will be an important factor in determining herd expansion over the next couple of years, regardless of cattle prices.

Cattle Inventories Continue Decline

While much uncertainty exists as to the number of heifers that will be retained for breeding over the next couple of years, present numbers suggest very tight supplies for 2004. The number of beef replacement heifers and beef heifers expected to calve in 2004 were both down 2 percent from a year earlier on January 1. Dairy replacement heifers were down 2 percent, but the number of dairy heifers expected to calve this year was down 4 percent. Heifers on feed in feedlots with over 1,000 head of capacity on April 1 were up 4 percent from a year ago. Overall both the number of heifers bred or available for breeding in 2004 are down, and any meaningful increase in heifer retention cannot begin until heifers from this year's calf crop are weaned this fall. Even if larger numbers are retained, these heifers will not be bred until 2005 to calve in 2006. If a larger proportion of the calves weaned in the fall of 2006 were placed on feed, beef production would not begin to rise until mid-2007, and then from progressively lower production levels in 2004 through 2006 due to declining inventories.

Feeder Cattle Supplies Continue To Decline

Feeder cattle supplies outside feedlots on April 1 and available for grazing or feeding enterprises were down nearly 2 percent from a year earlier. The smallest calf crop since 1951 and strong demand for feeder cattle continues to pull down feeder cattle supplies outside feedlots. With steadily reduced calf slaughter as more dairy bull calves are priced away from bob veal slaughter and into feedlots, little flexibility exists to adjust the domestic inventory to increase supplies. In fact, increased heifer retention will make the situation even tighter over the next couple of years. The situation was made even tighter with the ban on imports of cattle from Canada in May 2003. Strong stocker/feeder cattle prices are resulting in larger imports from Mexico, but their cattle inventory has also been declining, and availability of animals for additional imports is limited. (See Trade Section.)

Fed Marketings Continue To Be Pulled Forward

Steer and heifer federally inspected slaughter weights remain below the low levels of a year earlier and well below the 2002 averages. Feedlot inventories were nearly 6 percent above a year earlier on January 1, but were about unchanged from a year earlier on April 1. Feedlot placements this year are expected to remain well below the large 2003 placement levels this year with continued declines occurring in 2005. Feedlot performance has been somewhat disappointing this year, particularly in late winter/spring, but the primary reason for reduced slaughter weight has been the strong demand for beef and near record prices pulling cattle marketings forward. The market remains in a quandary with very strong cattle prices enticing feeders to market cattle early, while at the same time the Choice/Select price spread continues to widen as the demand for higher quality, consistent eating beef remains very strong.

Beef Production Decline Continues

Beef production was 7 percent below a year earlier in the first quarter and is expected to average down about 5 percent in the second and third quarters. Production may be about unchanged from the very low levels of last year in the fourth quarter. Not only are fed marketings declining, but cow slaughter has dropped sharply from a year earlier. The proportion of the cowherd slaughtered is expected to drop to near historic lows as the demand for beef and dairy cows continues to be driven by record prices. Production is expected to decline about 4 percent this year, the result of both reduced slaughter levels and lower weights. Slaughter weights are expected to rise seasonally through fall. While weights are likely to be above the lows of 2003, weights in the second half of 2004 may only approximate the record levels of 2002. This rise will be due in large part to a sharply reduced level of cows in the slaughter mix.

Beef production in 2005 is likely to become somewhat more stable, with the already low levels of 2004 production declining another 3 percent. Increased heifer retention from this year's calf crop and a somewhat lower cow slaughter will more than offset some pickup in dressed slaughter weights. Even with the continued reduction in the proportion of cows in the slaughter mix, carcass weight will be pressed to reach the record levels set in 2002. As prices and demand strengthen, more cattle will be pulled forward to meet demand, but the cost will be lighter slaughter weights and fewer cattle grading Choice and higher.

Export Bans Holds Up Beef Per Capita

Per capita beef consumption this year is expected to rise nearly 2 pounds from the low levels of 2003 due largely to export bans on U.S. beef. However, even though the export bans are expected to continue in 2005, exports to North American Free Trade Agreement (NAFTA) countries are expected to rise from the low first-quarter 2004 level through the summer quarter and then level out until trade restrictions are resolved. Larger beef exports in 2005, reduced cattle on feed inventories, and lower cow slaughter are expected to pull per capita beef supplies down 2 to 3 pounds from this year's near 67-pound average.

Retail Prices for Choice Beef Strengthen

Retail prices for Choice beef averaged $3.99 a pound in the first quarter 2004, down from the fourth quarter 2003 record of $4.17, but up nearly 15 percent from a year earlier. April prices averaged $4.06 a pound, up from $3.97 in March. Prices are expected to remain well above a year earlier this spring before declining seasonally this summer. Tighter supplies and continued strong demand are expected to result in a seasonal rise above $4 a pound this fall. For the year, retail prices for Choice beef are expected to average near $4 a pound and slightly higher in 2005 despite attempts by beef endusers to switch to less expensive alternatives. However, total red meat and poultry per capita consumption are expected to decline in 2005 due to a decline in beef and pork supplies and only marginal increases in poultry production.

Cattle prices are expected to average near record levels in 2004 and 2005 due to strong competition for declining supplies and continued strong demand from end users. However, prices in 2005 are expected to average only marginally higher than this year's averages as users adjust to the record prices of the past couple of years. Cow/calf producers will remain in a very strong position over at least the next couple of years. But both stocker operators and cattle feeders will be faced with very tight to negative margins due to strong demand for very tight and declining feeder cattle supplies.

Beef Trade

U.S. Beef Exports and Cattle Trade are Still Limited by BSE-Related Restrictions

U.S. beef and cattle trade remains limited by widespread restrictions related to the 2003 discovery of BSE in Canada (May 20) and the United States (December 23). U.S. and Canadian beef face complete bans in all major markets except the NAFTA countries of Canada, Mexico and the United States. The NAFTA countries allow beef imports from Canada and the United States provided it is boneless cuts from animals less than thirty months of age. Canada allows imports of U.S. cattle, but Mexico does not. The United States has not lifted its restriction on live cattle imports from Canada.

U.S. beef exports in the first quarter 2004 were only 6 percent of year-earlier levels, as even permitted exports to Canada and Mexico were far below normal levels. While exports to Canada have been allowed since January, they had only reached 6 percent of year-earlier levels in March, and weekly export data (http://www.fas.usda.gov/export-sales/esrd1.html) suggest similarly slow movement through April. Exports to Mexico were resumed in March, but the weekly data suggest they have gradually increased to only 50 percent of pre-BSE levels by early May. Exports to both countries should continue increasing for the remainder of the year and into 2005, but may not reach pre-BSE levels because of product limitations and higher-than-normal supplies in Canada. Minor markets also account for some U.S. beef exports.

U.S. beef exports for 2004 are forecast to be 465 million pounds—only 18 percent of last year's level. Assuming current restrictions by importers, 2005 exports of 600 million pounds are expected. Live cattle exports may be insignificant this year and in 2005, assuming restrictions by Mexico remain in place. Although live cattle may be exported to Canada, the same growing surplus of animals in Canada are expected to limit U.S. beef exports and is likely to discourage exports of U.S. animals to Canada.

Bans on Canadian Cattle and Beef Exports Are Increasing Supplies of Canadian Cattle

Canadian cattle supplies will increase in 2004 as a result of the U.S. ban on imports of Canadian live animals and the ban on beef imports by non-NAFTA countries. Assuming 2000-02 represents a normal period, Canadian live cattle exports would be expected to average 1.32 million head in 2004. In addition, average annual beef exports to non-NAFTA (mainly Asian) countries were 31,755 tons, product weight in 2000-02. These now-banned beef exports could account for an additional 120,000 animals, assuming a product-to-carcass conversion rate of 1.41 and a slaughter weight of 800 pounds. Banned live animals and live animal equivalents to banned beef could then imply a 1.44-million-head increase in the Canadian cattle inventory in 2004, equal to 38 percent of the 3.8 million annual average slaughtered in 2000-02.

Canadian cattle numbers would increase by less than 1.44 million because more animals in Canada would reduce its demand for U.S. feeder cattle exports. Between 2000 and 2002, U. S. cattle exports to Canada averaged 260,000 million mostly feeder animals. In 2004, negligible numbers of U.S. cattle are likely to be exported to Canada. The absence of U.S. animals could reduce what otherwise might be an increase of 1.44 million in the Canadian inventory to 1.18 million head in 2004, ignoring death loss and calving.

Canada does not have the capacity to slaughter 1.18 million additional animals in 2004, which would still represent 31 percent more than the average annual 2000-02 slaughter of 3.8 million. By early 2004, the federally inspected Canadian packing industry had increased its weekly slaughter to nearly 75,000 head—about 10,000 head, or 15 percent, above its 5-year moving average (Agriculture and Agri-Food Canada, Beef Supply at a Glance—April 2004). In addition, non-federally inspected slaughter may account for an additional 5,000 animals slaughtered per week. If sustained, the resulting total weekly slaughter of 80,000 animals would be equivalent to annual

(50 week) slaughter of 4.0 million animals, only 200,000 head or 5.3 percent above average 2000-02 slaughter of 3.8 million animals.

Increased slaughter of only some 200,000 additional animals would not significantly limit continued expansion of the Canadian cattle herd in 2004. With the inclusion of death losses and the calf crop, the Canadian cattle inventory increased from 13.49 million to 14.66 million head in 2003 (FAS, PS&D). The inventory is expected to increase to 15.75 animals by the end of 2004--2.23 million head above the more normal 2000-02 average of 13.5 million. Such large numbers continue to weigh on Canadian beef and cattle prices.

Lower Priced Canadian Beef May Limit U.S. Beef Exports to Canada and Mexico in 2004

Canadian beef prices dropped below U.S. prices after the ban on Canadian beef exports on May 20, 2003, but increased late in 2003 as Canadian exports began to recover and caught up with reduced Canadian slaughter. However, the sharp increase in Canadian slaughter above its 5-year average early in 2004 has caused Canadian boxed beef prices to again decline relative to U.S. boxes. According to the January 19 and May 10 Canadian Boxed Beef Reports (http://www.canfax.ca), Canadian Light AAA boxes and AA boxes were discounted against U.S. Choice and Select by only $.01 and $.05 (U.S.), respectively, for the week ended January 19. By the week ended May 10, Canadian discounts had increased to $.29 and $.13, respectively. In other words, the discounts for Canadian AAA and AA had increased from roughly zero, at the beginning of 2004 to 22 percent and 10 percent, respectively, of the prices for corresponding U.S. boxed beef prices by mid-May.

Such low prices have implications for Canadian beef usage, including consumption and trade, and hence, for U.S. beef trade. The current rate of weekly slaughter—5.3 percent above the 2000-02 average, suggests Canadian beef production could reach 1.325 million tons. USDA forecasts Canadian consumption, imports and exports at 1 million, 230,000, and 565,000 tons, respectively. Much of the product Canada formerly shipped to non-NAFTA markets is expected to compete with U.S. product.

The availability of supplies suggests that Canadian beef could be a formidable competitor with U.S. product in both the Mexican and Canadian markets. Slow year-to-date movement of U.S. beef to both markets would support this view. However, year-to-date imports by Canada from Australia, New Zealand, and Uruguay are 46 percent below year-earlier levels. If that latter trend were to continue throughout 2004, Canada would import about 36,000 tons, carcass weight, less beef from these countries—nearly all of the potential additional beef it might otherwise have available for export to Mexico. Any significant reduction in imports from these countries by Canada could therefore reduce potential Canadian exports to Mexico and contribute to increased demand for U.S. product in Canada.

Imports Increase for Processing Beef and Heat-treated Product from South America

U.S. beef imports for 2004 are forecast at 3.3 billion pounds, down from earlier levels, but still 10 percent above last year's level. A 12-13 percent decline in cow slaughter has increased the need for imported lean processing beef compared with last year. While imports from Australia may be down, as that country attempts to deliver a substitute for banned U.S. beef in Asian markets, imports should increase from New Zealand and Uruguay. Uruguay was unable to ship fresh/chilled or frozen product to the United States from mid-2001 until late last year because of foot-and-mouth disease (FMD). Consequently, the cattle inventory in Uruguay had increased from 10.4 to 12.5 million head between January 2001 and January 2004. Imports from both New Zealand and Uruguay are up significantly over year-earlier levels, and both should meet their tariff-rate quotas (TRQ) this year. While Uruguay's 20,000 ton (product weight) quota is only 10 percent the size of New Zealand's, imports from Uruguay for the year-to-date are running one-third the size of imports from New Zealand.

Imports of heat-treated beef from Brazil and Argentina were 26 percent above year-earlier levels in the first quarter of 2004. Only beef that has been heated is allowed from these countries because neither is considered sufficiently free of FMD to allow imports of fresh/chilled and frozen product. Beef from these countries that has been heat-treated may be used in microwavable, near-ready-to-eat products.

Imports for 2005 are expected to increase less than 1 percent from 2004. While the domestic supply of lean beef will remain low in 2004, it is unlikely to decrease any more because of a leveling off in cow slaughter next year. Furthermore, the supply of fat trimmings with which lean processing beef is mixed may be limited because of declining beef production. Limited supplies of trimmings would not encourage increased demand for lean processing beef. Recent relatively high prices for trimmings and low prices for imported processing beef suggest that such a situation may have already developed, to some degree.

Sheep

Lamb Imports Exceed Domestic Production In First-Quarter 2004

For the first time in the history of the U.S. sheep industry, lamb imports exceeded commercial production in a quarter. Commercial production of lamb and mutton for the first quarter of 2004 totaled 52 million pounds, 1.6 percent higher than the same period in 2003. Yet, lamb and mutton imports for the first quarter of 2004 were 55 percent above the same period in 2003, totaling 62 million pounds. Products are normally ordered at the beginning of the year in preparation for the Easter and Passover holidays. These holidays came at the beginning of the second quarter, causing the seasonal spike in total lamb and mutton imports to occur entirely in the first quarter. Second-quarter demand is expected to decline but so too are imports. The inability to import live sheep from Canada is likely to put even more strain on the domestic supply, causing imports of lamb and mutton to remain strong. Commercial production will be down by about 4 percent in the second quarter.

Slaughter lamb prices were at an all-time quarterly high for the first-quarter of 2004. The San Angelo slaughter lamb price averaged $100.62 per cwt, an increase of 9.5 percent from the first quarter of 2003. The expectation of the boost in demand from the holiday season, coupled with tight supplies kept prices very strong. Prices are expected to stay relatively strong into the second quarter, but then decrease by about 1.4 percent to $95 per cwt for the second quarter.

Sheep and Lamb Outlook for 2005

The inventory of all sheep and lamb fell to 6.09 million head on January 1, 2004, continuing the long downturn. This trend is expected to continue in 2005 with an expected 3-4 percent decline from 2004, even if there is an effective ewe lamb retention program. Despite the inventory decline, production in 2005 is expected to remain unchanged over the previous year, aided primarily by increased weights. Fairly high slaughter lamb prices will encourage producers to sell lambs at heavier weights. Prices are expected to remain fairly strong, in the mid-$90 range per cwt in 2005, as a result of the continued tight supplies. Lamb imports will almost equal domestic lamb production in 2004, and the gap is expected to narrow even more in 2005. Imports for 2005 are expected to reach 183 million pounds, more than 47 percent of the total lamb and mutton supply. Despite the fairly stable domestic per capita lamb demand, producers would be hard-pressed to increase production in the short run. As a result, increased competition for the lamb market share by exporting countries is expected to continue.

Domestic and Foreign Pork Demand Drives Live Hog Price Increases

Second-quarter prices of 51-52 percent lean hogs (live equivalent) are expected to range between $50 and $52 per cwt, almost 20 percent greater than a year ago, despite a larger slaughter, heavier dressed weights, and greater pork production. Second-quarter slaughter is expected to be almost 4 percent greater than second-quarter 2003. With dressed weights running about 1 pound ahead of last year, at 200 pounds, second-quarter pork production is likely to be just shy of 5 billion pounds, or about 4 percent ahead of a year ago. For the year, the U.S. pork industry is expected to produce 20.5 billion pounds of product, almost 3 percent more than last year, and live hog prices this year are expected to range between $45 and $47 per cwt, almost 15 percent above 2003.

Higher hog prices at the same time slaughter and production are increasing is the result of very strong demand for pork products. U.S. consumers appear willing to pay higher prices for larger quantities of pork products at the same time foreign consumers are also demanding more U.S. products. The first quarter retail pork price--$2.69 per pound--was about 3 percent higher than a year ago. Retail prices for 2004 are expected average in the $2.70s.

Strong consumer demand and higher feed prices are expected to keep hog prices relatively high in 2005. The 51-52 percent lean hog prices (live equivalent) are expected to range between $44 and $47 per cwt, with pork production about the same as 2004. Retail pork prices next year will likely run about 3 percent above 2004.

Foreign Demand for U.S. Pork Products on Fire

The U.S. pork industry exported 523 million pounds of product in the first-quarter of 2004, almost 19 percent greater than in the same period last year. As usual, Japan, Mexico, and Canada accounted for almost 78 percent of first-quarter shipments. Two factors explain the surge in U.S. pork exports: closure of important foreign markets to U.S. and Canadian beef products, and the value of the U.S. dollar, which has depreciated significantly in terms of important foreign currencies.

Exports to Japan and Taiwan increased 7 percent and 153 percent over first quarter 2003. Closure of these markets to U.S. and Canadian beef products explains part of the increase. Although not a perfect substitute, pork can replace beef, to some degree, on restaurant and home menus. The depreciated value of the U.S. dollar makes dollar-denominated pork products relatively cheaper, compared with products valued in Canadian dollars and Danish krone. Also, with respect to the Japanese market, the anticipated lifting of the Safeguard--a mechanism that increases the minimum import price of imported pork products--on April 1 was likely another factor that increased U.S. pork exports to Japan.

Mexico imported 126 million pounds of U.S. pork in the first quarter, an increase of 88 percent over the first quarter last year. Although Mexico has begun the process of re-opening markets to some U.S. beef products, much of the first quarter increase in U.S. pork exports to Mexico is likely attributable to Mexican buyers substituting for beef.

Although Canada is a major pork producer and exporter, its imports of U.S. pork products were 31 percent greater than a year ago. The exchange rate is likely a major explanatory factor. The stronger Canadian dollar and an international border that is relatively open to trade allow an integrated North American pork industry to source favorably priced pork products in the United States for sale to Canadian consumers.

Another factor in increased U.S. exports to Canada--despite Canada's being the world's second largest pork exporter last year--is the "non-homogeneity" of the commodity referred to generally as "pork". In fact, pork is a collective term used to describe the set of cuts produced when a hog is slaughtered and butchered: loins, butts, picnics, ribs, bellies, and trim, etc. It is likely that at any one point in time, a particular market in Canada is surplus or deficit in one particular pork cut. The likelihood is that U.S. packers had adequate supplies of a particular pork cut to sell at the same time the Canadian market was deficit in that cut. The depreciated value of the dollar likely made the transaction more attractive to Canadian buyers.

Current expectations are for the export momentum that started off the year will continue through 2005. U.S. pork exports are likely to exceed 1.9 billion pounds this year--an increase of more than 13 percent over 2003--and are expected to break the 2-billion-pound mark in 2005.

U.S. Imports Lower Than a Year Ago

Buyers in the United States imported about 275 million pounds of pork cuts in the first quarter, a decline of 5 percent from a year ago. The lower valued U.S. dollar--making imported products more expensive--is likely the primary factor accounting for the decrease. The major countries of origin--Canada and Denmark--and their shares of U.S. imports 80 percent and 14 percent, respectively, remain largely constant.

Expectations are for the lower valued U.S. dollar to continue to limit pork imports for the remainder of 2004, and likely through 2005. This year, the United States is expected to import about 1.1 billion pounds or, almost 5 percent less than 2003. In 2005, pork imports could fall to 1 billion pounds. Market shares are not expected to change much. The lion's share of imported pork--80 to 85--percent will be sourced from Canada, and 12-15 percent from Denmark, with the balance from other smaller exporting countries.

First-quarter market shares, U.S. pork exports
(percent)

Country	2004	2003
Japan	43	51
Mexico	24	16
Canada	11	10
Korea	3	6
Taiwan	7	4
Hong Kong	2	2
Russia	2	1
E.U.	1	2
Cntrl and S. America	2	2
Caribbean	1	1
Other	4	5

First-quarter market shares, U.S. imports
(percent)

Country	2004	2003
Canada	80	81
Denmark	14	13
Other	6	6

Canadian Hogs: Heading South?

U.S. buyers imported 2.2 million Canadian hogs in the first quarter of 2004, 47 percent more than in the same quarter last year. Thirty-four percent of first-quarter Canadian imports were slaughter hogs and 66 were feeder pigs. The United States is importing more slaughter hogs, as a percentage of total imports, largely because the appreciated value of the Canadian dollar has made Canadian pork less competitive in foreign markets. Statistics Canada reports that Canadian pork exports through March were about 2 percent lower than in the same period of 2003. Consequently, Canadian slaughter plants are slaughtering fewer animals than a year ago, reflecting soft foreign demand for Canadian pork products. Less demand for the product translates into lower bid prices for animals, and the opportunity for U.S. slaughter plants to bid Canadian hogs south into the United States. The higher percentage of Canadian slaughter hog imports has taken place despite the lower valued U.S. dollar. The aggregate Canadian slaughter is running about 1 percent below a year ago. So far this year, the weekly Canadian slaughter has averaged 473,000, at prices about 10 percent higher than last year.

This year, the United States is expected to import 7.8 million hogs. Next year, imports are likely to be over 8 million head. In both 2004 and 2005, 65 percent of live hog imports will likely be feeder animals.

Anti-Dumping-Countervailing Duty Petition Investigation Goes Forward

On March 5, **The National Pork Producers' Council**, along with State pork producer organizations and individual U.S. pork producers, filed antidumping and countervailing duty petitions with the U.S. Government. The organizations charge that "…surging imports from

Canada have caused prices to plummet in the U.S. market. The imports from Canada have resulted in an oversupply of hogs in the U.S. market…. Canadian producers have been able to increase their herd size because of substantial subsidies given to them by the Government of Canada. Additionally, Canadian producers have been able to grow market share in the U.S. market by selling their hogs in the United States below what they sell in their own market."

The Tariff Act of 1930, as amended, provides for implementation of countervailing duties (CVD) when two conditions are met:

1. The Department of Commerce determines that the government of a country…is providing, directly or indirectly, a countervailable subsidy with respect to the manufacture, production, or export of the subject merchandise that is imported…into the United States and
2. …the U.S. International Trade Commission determines that an industry in the United States is materially injured or threatened with material injury…by import of such merchandise.

The Tariff Act of 1930, as amended, also provides that antidumping (AD) duties will be imposed when two conditions are met:

1. The Department of Commerce determines that the foreign subject merchandise is being, or is likely to be, sold in the United States at less than fair value, and
2. The International Trade Commission determines that an industry in the United States is materially injured or threatened with material injury…. by imports of such merchandise.

On April 8, 2004, the Commerce Department allowed the petition investigation to proceed when it determined that the petition of the NPPC et al

1. adequately and accurately alleged that the U.S. hog production industry was being materially injured by subsidized imports of Canadian hogs, sold at less than fair value,
2. included information supporting the allegations, and
3. had shown that the petition had "industry standing", meaning that the petition met the statutory criteria of representing the necessary portion of U.S. hog producers.

Consequently the Commerce Department began its investigation of the CVD and AD charges. Had the Commerce Department found to the contrary—no industry standing, no unfair pricing--then examination of the Petition's charges by both the Commerce Department (DOC) and the International Trade Commission (ITC) would have ended.

The second point where U.S. Government investigation of the petition charges could have ended was on May 7, 2004, when the ITC commissioners voted on whether U.S. hog producers have been injured by importation of Canadian hogs. The Commission voted unanimously, that "on the basis of the information available to it…there is a reasonable indication that [U.S. hog producers] are being materially injured or threatened with material injury…by reason of imports of Canadian hogs."

The ITC's affirmative determination gives the "green-light" for the Commerce Department to proceed with its in-depth CVD and AD investigations. With respect to the CVD investigation, the DOC will look at Canadian Government policies that are alleged to be subsidizing Canadian hog production, and on June 11, 2004, it is expected to make a preliminary CVD determination. "…If Commerce finds a reasonable basis, in a CVD investigation, it estimates a subsidy margin…and requires bonds or cash deposits to be posted for each entry of the merchandise in an amount equal to the estimated net subsidy."

With respect to the AD investigation, the DOC examines financial records of selected Canadian swine market participants to determine whether Canadian hogs have been sold in the United States at less than fair value. If dumping is established, the DOC makes a preliminary determination that "estimates the weighted-average dumping margin, the amount by which the normal value of Canadian hogs exceed their import price. The DOC is expected to make its preliminary antidumping determination on August 25, 2004. In the event of an affirmative determination, bonds or cash deposits for each entry of Canadian hogs in an amount equal to the estimated dumping margin will be required to be posted.

After the DOC has made its preliminary determination—whether affirmative or negative--the International Trade Commission begins a final investigation concerning injury to the U.S. hog production industry.

In November 2004, the DOC is expected to make a final determination as to whether a subsidy is being provided to Canadian hog producers, or sales of Canadian hogs in the U.S. are taking place at less than fair value. If the final determination is negative, the proceedings end, bonds are released and cash is refunded. If the DOC's final determination is affirmative, the ITC will likely make its final determination of material injury in December 2004.

If the ITC's final determination of material injury is affirmative, the Commerce Department issues a CVD and/or AD order, requiring imposition of duties in the amount of the net subsidy or dumping margin. If the International Trade Commission's final determination of material injury is negative, no CVD or AD duties are imposed, and deposits are refunded.

The petition of the NPPC et al. seeks duties of from 5 to 25 percent on live hogs imported from Canada, with the exception of breeding animals. Pork is not included in the petition.

Poultry

Broiler Production Higher, Turkey Production Lower in First-Quarter 2004

U.S. broiler production totaled 8.2 billion pounds in the first quarter of 2004, up 5.3 percent from a year earlier. The increase was chiefly due to a large increase in broiler slaughter in March (up 12 percent). While both the number of birds slaughtered (up 12 percent) and the average weight (up 1 percent) increased in March, the increase was greatly boosted because March 2004 had two additional slaughter days compared with March 2003, which other factors being equal, would raise production by around 9 percent. Broiler production for the second quarter is forecast at 8.56 billion pounds, an increase of 3.5 percent from last year. During April, the daily broiler slaughter numbers reported by the *Agricultural Marketing Service* indicated a production increase of around 3.5 percent from the same period a year earlier. Most of the gain was from higher average bird weights. Other indicators pointing to higher future production are the weekly increases in the number of chicks placed for growout. Over the last 5 weeks (through May 1) the number of chicks being placed for growout has averaged just around 2 percent higher than in the same period in 2003. With strong prices forecast to continue through the remainder of 2004, broiler production is expected to expand again in 2005 to 35.1 billion pounds, slightly over 3 percent higher than a year earlier.

Turkey production totaled 1.3 billion pounds in first-quarter 2004, down 5.6 percent from the previous year. The situation with turkey production is the opposite from broilers, with the overall number of birds being slaughtered down and with average weights also lower. Over the last 15 months (January 2003 through March 2004) the number of poults being placed for growout has been almost continuously below the level for the same month in the previous year. Turkey production in 2004 is now estimated at 5.44 billion pounds, 3.7 percent below 2003. However, increased prices and moderating feed costs are expected to encourage producers to increase production in 2005. Production is forecast at 5.58 billion pounds, 2.4 percent higher than in 2004 and about even with production in 2001.

Broiler and Turkey Stocks Lower

Broiler stocks at the end of first-quarter 2004 were 593 million pounds, down 6.9 percent from the 636-million-pounds they were the previous year. The decline in stocks came from smaller holdings of broiler parts. At the end of the first quarter, stocks of broiler parts totaled 568 million pounds, down 7.4 percent from a year earlier. Stocks of whole birds, however, were higher at nearly 25 million pounds, up 8.1 percent from the end of first-quarter 2003. With the lower overall stocks, a strong domestic economy, and an anticipated strengthening in exports in the second quarter, broiler prices for most products are expected to remain strong.

Ending turkey stocks for the first quarter of 2003 were 515 million pounds, 6.2 percent lower than the previous year. There was a wide difference in the stock levels for whole birds and parts. Stocks of whole birds were up 10 percent from the previous year, while stocks of turkey parts totaled 254 million pounds, down 19 percent from the end of the first quarter of 2003. Stock levels for whole birds were higher at the end of the first quarter, compared with the previous year. However, wholesale prices for whole birds (toms and hens) averaged 60.6 cents per pound in the first quarter of 2004, up 2 percent. First-quarter prices for most turkey parts were considerably stronger than during the same period in 2003. For example boneless/skinless breast meat was over 40 percent higher in the first quarter, and drumsticks were up over 100 percent.

Broiler Export Forecast Lowered for 2004

The broiler export forecast for 2004 has been reduced to 4.6 billion pounds, a reduction of 355 million pounds. The reduction is the result of continued restrictions on U.S. exports to a number of countries and the export dampening effect of much stronger prices for almost all broiler products. Broiler exports during the first quarter of 2004 were 1.02 billion pounds, nearly 15 percent from the previous year. Most of the decline was due to reduced shipments to Russia, China, and Japan resulting from bans on shipments because of earlier Avian Influenza outbreaks. The decline in exports to these countries was partially offset by higher shipments to countries such as Mexico, Canada, and Turkey. Exports in 2005 are expected to strengthen, reaching 4.9 billion pounds, close to the level exported in 2003.

Eggs

Egg Prices Sharply Higher

Wholesale table egg prices (NY grade A large) in the first quarter of 2004 averaged 114.8 cents a dozen, nearly 49 percent higher than last year, and 3.6 percent higher than the last quarter of 2003, continuing the trend of rising prices that started in mid-2003. For all 2003, prices averaged 87.9 cents a dozen, the highest since 1996, when wholesale prices averaged 88.2 cents per dozen.

However, wholesale prices broke sharply from 122.9 cents in March to only 88.9 cents per dozen in April, partially reflecting the post-Easter price decline. The sharp price decline combined with rising feed costs (corn and soybean meal prices) has dramatically squeezed producers' returns.

In second-half 2003, egg prices and margins above feed costs rose rapidly, encouraging short-term adjustments (increased molting and delayed culling) to boost table egg production. As a result, egg production in the fourth-quarter 2003 was record high. Producers began expanding their layer flocks in response to the higher returns, as a result table egg production in the first quarter increased about 2 percent over a year ago. On April 1, 2004, U.S. egg-type layers totaled 282.8 million birds, an increase of nearly 2.2 million birds over a month earlier and the largest April inventory of egg-type layers since November 2002.

In 2004, table egg production is expected to increase about 1.7 percent due to the buildup of the laying flocks. Wholesale prices will likely average 95-100 cents per dozen, reflecting record first-quarter price and strong demand for protein foods. In 2003, prices averaged 88 cents per dozen. For 2005, wholesale table egg prices (NY grade A) are forecast to average 91-99 cents per dozen, reflecting a 1.4-percent increase in table egg production.

Likewise, retail egg prices averaged $1.59 per dozen in the first quarter of 2004, but are forecast to decline from the record levels. For all of 2004, retail egg prices are expected to average in the mid-$1.40s per dozen, which would be a record high. Retail egg prices in 2005 are expected to be about unchanged.

For all of 2004, due to the higher shell egg prices, the quantity of eggs going to the breaking market is expected to increase by nearly 2 percent above 2003. This trend will most likely continue and rise by about 1 percent in 2005, as prices are expected to stay about the same.

Total U.S. egg production in 2004, table and hatching, is expected to rise to nearly 7.39 billion dozen, or 1.6 percent, over 2003. Table eggs are expected to account for about 85 percent of total production in 2004, and likely will stay at the same percentage in 2005. Hatching egg production in 2004 is expected to rise by 1 percent, reflecting higher broiler production.

U.S. egg exports in 2004 are expected to reach 110 million dozen, down 25 percent from the previous year. The decline is mainly due to outbreaks of Avian Influenza in early 2004 and restrictions imposed by many countries on U.S. eggs and egg products. Shell eggs (for human consumption and hatching purposes) are more vulnerable to disease transmission, while processed egg products (yolks, egg albumen, dried or in liquid forms) are less likely capable of transmitting diseases. This situation will most likely last for several months, and exports are expected to rebound some in 2005.

Contacts and Links

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Related Article

The recent discovery of bovine spongiform encephalopathy (BSE) http://www.ers.usda.gov/features/BSE/index.htm in a dairy cow in the State of Washington has caused importers to either ban or restrict beef imports from the United States.

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

Animal Production and Marketing Issues, http://www.ers.usda.gov/briefing/AnimalProducts/
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

Red meat and poultry forecasts

	2001	2002	2003					2004					2005	
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Production, million lb														
Beef	26,107	27,090	6,284	6,905	7,084	5,975	26,248	5,836	6,550	6,700	6,000	25,086	5,725	24,350
Pork	19,138	19,664	4,908	4,750	4,815	5,509	19,982	5,130	4,950	4,965	5,440	20,485	5,050	20,315
Lamb and mutton	223	219	49	50	48	52	199	52	48	47	50	197	51	197
Broilers	31,266	32,240	7,786	8,275	8,448	8,240	32,749	8,201	8,565	8,800	8,500	34,066	8,400	35,125
Turkeys	5,562	5,713	1,380	1,439	1,409	1,423	5,650	1,302	1,390	1,360	1,390	5,442	1,315	5,575
Total red meat & poultry	83,006	85,669	20,582	21,598	21,976	21,367	85,523	20,683	21,674	22,047	21,546	85,950	20,699	86,226
Table eggs, mil. doz.	6,078	6,190	1,524	1,528	1,559	1,596	6,207	1,554	1,560	1,590	1,610	6,314	1,580	6,400
Per capita consumption, retail lb 1/														
Beef	66.2	67.6	16.2	16.9	16.9	15.0	65.0	15.8	17.5	17.7	15.7	66.7	15.1	64.1
Pork	50.2	51.5	12.6	12.6	12.6	14.1	51.9	13.1	12.6	12.7	13.7	52.1	12.5	50.7
Lamb and mutton	1.1	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.2	0.3	1.1
Broilers	76.6	80.5	19.6	20.7	21.3	19.9	81.5	20.8	21.6	21.8	20.8	85.0	20.9	86.4
Turkeys	17.5	17.7	3.6	3.9	4.6	5.3	17.4	3.5	3.8	4.2	5.3	16.8	3.3	16.9
Total red meat & poultry	213.6	220.5	52.9	54.9	56.1	55.1	219.0	53.9	56.3	57.3	56.2	223.7	52.6	221.0
Eggs, number	252.7	255.5	62.6	63.0	63.8	65.3	254.7	63.4	63.5	64.5	65.4	256.8	63.4	256.2
Market prices														
Choice steers, Neb., $/cwt	72.71	67.04	77.82	78.49	83.07	99.38	84.69	82.16	85-87	80-84	84-92	83-86	80-86	82-89
Feeder steers, Ok City, $/cwt	88.20	80.04	78.48	82.49	94.90	103.51	89.85	87.98	96-98	94-98	93-101	93-96	87-93	92-99
Boning utility cows, S. Falls, $/cwt	44.39	39.23	40.53	46.52	49.84	49.60	46.62	48.08	51-53	50-52	49-53	50-52	48-52	49-52
Choice slaughter lambs, San Angelo, $/cwt	72.04	72.31	91.92	93.71	89.48	92.82	91.98	100.62	94-96	93-97	91-99	95-98	95-101	93-100
Barrows & gilts, N. base, l.e. $/cwt	45.81	34.92	35.38	42.64	42.90	36.89	39.45	44.18	50-52	46-48	38-42	45-47	44-48	44-47
Broilers, 12 City, cents/lb	59.10	55.60	60.30	59.60	63.40	64.60	62.00	73.20	74-76	71-75	68-74	71-75	67-73	68-74
Turkeys, Eastern, cents/lb	66.30	64.50	61.10	60.60	59.10	67.40	62.10	62.10	62-64	63-67	65-71	63-66	59-63	64-69
Eggs, New York, cents/doz.	67.20	67.10	77.20	73.90	89.90	110.70	87.90	114.80	84-86	87-93	96-104	95-100	96-104	91-99
U.S. trade, million lb														
Beef & veal exports	2,269	2,447	585	678	681	579	2,523	36	135	150	150	471	150	600
Beef & veal imports	3,164	3,218	810	741	619	836	3,006	873	880	870	750	3,373	810	3,340
Lamb and mutton imports	146	162	40	44	35	48	167	62	41	39	42	184	55	183
Pork exports	1,560	1,611	413	438	406	460	1,717	523	500	450	505	1,978	505	2,035
Pork imports	951	1,070	289	301	298	297	1,185	275	280	285	290	1,130	270	1,090
Broiler exports	5,555	4,807	1,200	1,166	1,182	1,385	4,932	1,024	1,075	1,225	1,275	4,599	1,100	4,900
Turkey exports	487	439	103	114	130	136	483	83	100	125	135	443	115	495

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

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

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Published in Livestock, Dairy, and Poultry Outlook,http://www.ers.usda.gov/publications/ldp/

Economic Indicator Forecasts 1/

	2003					2004					2005	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
GDP, chain wtd (bil. 2000 dol.)	10,210	10,288	10,493	10,599	10,398	10,713	10,826	10,931	11,041	10,876	11,140	11,293
CPI-U, annual rate (pct.)	3.9	0.6	2.3	0.9	1.9	1.7	1.5	1.5	1.7	1.6	1.8	1.9
Unemployment (pct.)	5.8	6.2	6.1	5.9	6.0	5.7	5.6	5.6	5.5	5.6	5.4	5.3
Interest (pct.)												
3-month Treasury bill	1.2	1.0	1.0	0.9	1.0	0.9	1.0	1.2	1.5	1.2	1.8	2.2
10-year Treasury bond yield	3.9	3.6	4.2	4.3	4.0	4.2	4.4	4.7	4.9	4.5	5.0	5.3

1/ Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2004.
Source: ERS From NASS, FAS, Census, FAS
For further information, contact: James Miller, (202) 694-5184, jjmiller@ers.usda.gov
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Dairy Forecasts

	2003 I	2003 II	2003 III	2003 IV	2003 Annual	2004 I	2004 II	2004 III	2004 IV	2004 Annual	2005 I	2005 Annual
Milk cows (thous,)	9,144	9,109	9,073	9,011	9,084	8,991	8,975	8,955	8,920	8,960	8,880	8,845
Milk per cow (pounds)	4,710	4,827	4,601	4,609	18,748	4,748	4,870	4,650	4,680	18,950	4,855	19,455
Milk production (bil. pounds)	43.1	44.0	41.7	41.5	170.3	42.7	43.7	41.6	41.7	169.8	43.1	172.1
Commercial use (bil. pounds)												
milkfat basis	41.4	43.0	44.9	45.3	174.6	42.0	43.4	45.3	45.3	175.9	42.1	176.1
skim solids basis	40.3	41.5	42.4	41.9	166.0	42.6	43.2	43.0	42.5	171.3	42.5	172.3
Net removals (bil. pounds)												
milkfat basis	0.4	0.6	0.2	0.0	1.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.1
skim solids basis	3.0	3.1	1.4	0.9	8.3	0.6	0.6	0.6	0.8	2.5	0.8	3.9
Prices (dol./cwt)												
All milk 1/	11.37	11.00	13.30	14.40	12.52	13.57	18.90 -19.20	17.45 -18.05	14.95 -15.85	16.30 -16.80	12.85 -13.85	13.05 -14.05
Class III	9.52	9.62	13.29	13.24	11.42	12.16	19.70 -20.00	16.85 -17.45	13.30 -14.20	15.60 -16.10	11.10 -12.10	11.75 -12.75
Class IV	9.89	9.74	10.05	10.33	10.00	11.88	14.05 -14.45	12.35 -13.05	11.45 -12.45	12.55 -13.15	10.75 -11.85	11.15 -12.25

1/ Simple averages of monthly prices. May not match reported annual averages.
Source: ERS From NASS, FAS, Census, FAS
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Feeder cattle supply outside feedlots

Item	1997	1998	1999	2000	2001	2002	2003	2004	Change from previous year
On farms Jan 1:				1,000 head					Percent
Calves < 500 lbs	17,826	17,401	17,290	16,816	16,216	15,753	15,545	15,204	-2.2
Steers over 500 lbs	17,392	17,189	16,891	16,682	16,461	16,804	16,554	16,280	-1.7
Heifers over 500 lbs 2/	10,212	10,051	10,170	10,147	10,131	10,057	9,891	9,804	-0.9
Total	45,430	44,641	44,351	43,645	42,808	42,614	41,990	41,288	-1.7
On feed Jan 1 1/:	13,067	13,536	13,218	13,998	14,174	13,944	13,122	13,715	4.5
Feeder cattle outside									
feedlots on Jan 1:	32,363	31,105	31,133	29,647	28,634	28,670	28,868	27,573	-4.5
Slaughter Jan-Mar:									
Calves	403	368	322	291	254	238	262	228	-13.1
Steers & heifers	7,030	7,039	7,151	7,458	6,852	6,874	6,683	6,439	-3.7
Total	7,433	7,407	7,473	7,749	7,106	7,112	6,945	6,667	-4.0
On feed Apr 1 1/:	12,890	12,281	12,884	13,668	13,846	14,024	13,201	13,109	
Feeder cattle outside									
feedlots on April 1:	25,107	24,953	23,994	22,228	21,855	21,477	21,844	21,513	-1.5
On farms July 1:									
Calves < 500 lbs	30,900	30,600	30,600	30,200	29,700	29,400	29,000		
Steers over 500 lbs	14,800	14,600	14,400	14,300	14,600	14,500	14,200		
Heifers over 500 lbs 2/	8,200	8,100	8,100	8,200	8,200	7,900	7,700		
Total	53,900	53,300	53,100	52,700	52,500	51,800	50,900		
On feed July 1 1/:	10,839	10,956	11,447	12,350	13,016	12,449	11,737		
Feeder cattle outside									
feedlots on July 1:	43,061	42,344	41,653	40,350	39,484	39,351	39,163		
Slaughter Jul-Sep:									
Calves	396	394	349	292	256	281	247		
Steers & heifers	7,524	7,438	7,785	7,797	7,465	7,678	7,870		
Total	7,920	7,832	8,134	8,089	7,721	7,959	8,117		
On feed Oct 1 1/:	12,083	11,706	12,310	13,073	13,175	12,370	12,085		
Feeder cattle outside									
feedlots on Oct 1:	33,897	33,762	32,656	31,538	31,604	31,471	30,698		

1/ Estimated U.S. steers and heifers. 2/ Not including heifers for cow herd replacement.
3/ !995-1997 data revised to incorporate July 1 U.S., and 12 State on feed data.