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New Measures Announced for Importing Canadian Ruminant Products

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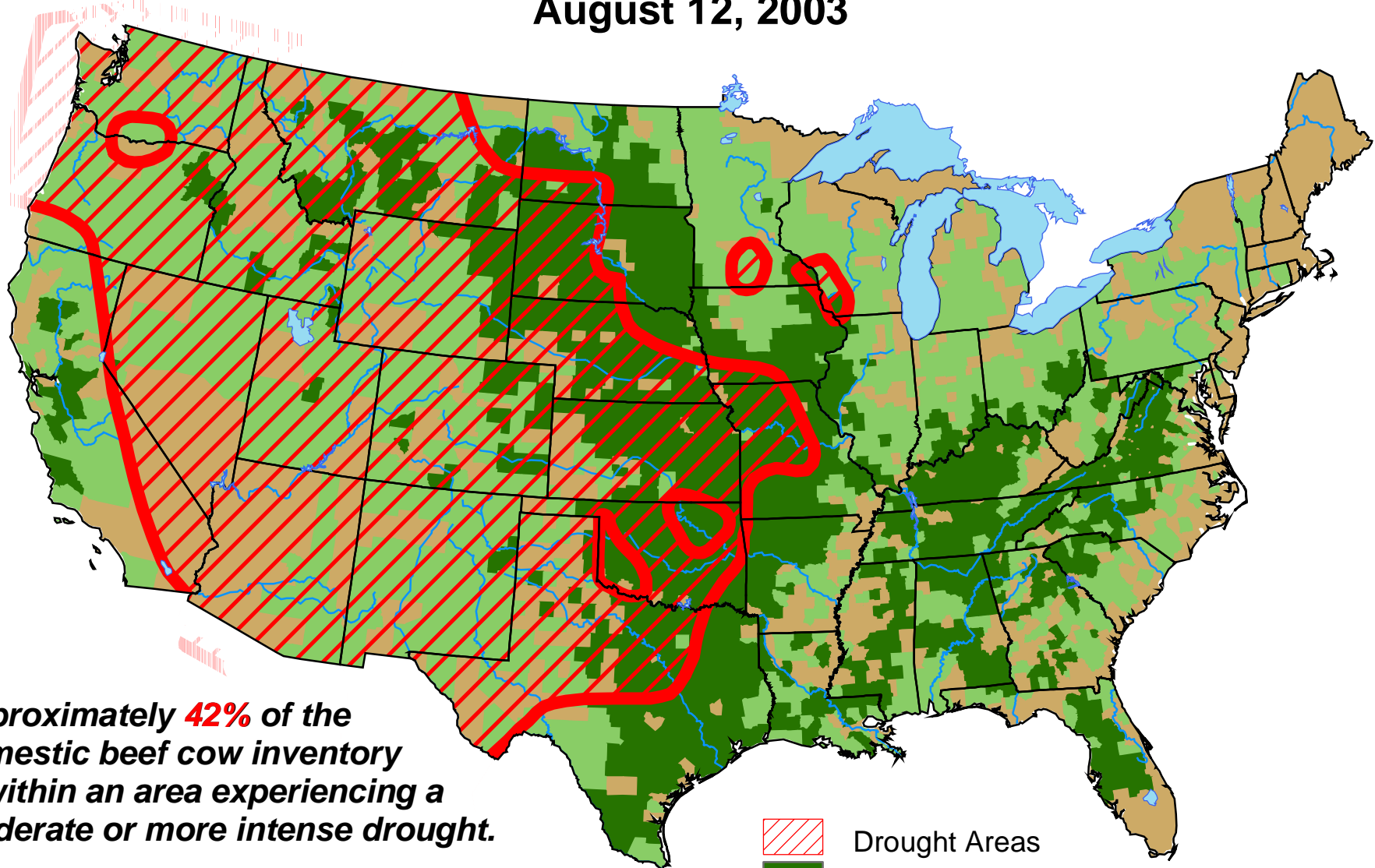
On August 8, USDA announced conditions for resuming imports of certain ruminant-derived products from Canada. Imports of ruminant meat products and live ruminants had been banned since May 20 when a cow in Canada was found to have Bovine Spongiform Encephalopathy (BSE). Forecasts in previous months have included adjustments for the ban up to the publication date of the *World Agricultural and Supply and Demand Estimates*, but assumed normal ruminant trade with Canada in the forecast period. Present forecasts reflect implementation of the new measures announced by the U.S. Department of Agriculture (USDA) that include: the acceptance of import permits for certain products from Canada for boneless sheep or goat meat from animals under 12 months of age; boneless bovine meat from cattle under 30 months of age; and boneless veal from calves that were 36 weeks of age or younger at slaughter. The import ban remains in place for live ruminants for immediate slaughter, and stocker/feeder animals.

Adding further uncertainty to the beef outlook are rapidly deteriorating grazing conditions that have spread from the Western States into most of the Great Plains. Autumn rains for establishing small grain pastures, accumulating grass for fall and winter grazing, and rebuilding hay stocks will be a paramount concern as the industry moves into the calf weaning and cow culling season. Beef, and particularly dairy cow slaughter has remained large this year, and beef cow slaughter has increased with the worsening drought situation ([see map](#)).

Small increases in slaughter continue to push 2003 U.S. pork production closer to last year's production mark. Hog producers are expected to receive 14 percent higher prices for their hogs this year, while retail pork price forecasts are 1 percent lower, so packer/processors, wholesalers, and retailers are likely to divide smaller returns this year. U.S. pork exports are expected to increase despite Japan's Safeguard imposition on August 1. The United States is expected to import 6.1 million hogs from Canada, with a somewhat larger proportion expected to be slaughter animals this year, than in 2002.

U.S. Beef Cow Areas Experiencing Drought




August 12, 2003



Approximately 42% of the domestic beef cow inventory is within an area experiencing a moderate or more intense drought.

Drought areas derived from the U.S. Drought Monitor product (<http://www.drought.unl.edu/dm/monitor.html>)

Beef cow areas derived from USDA 1997 Census of Agriculture data

-  Drought Areas
-  Major Beef Cow Areas
-  Minor Beef Cow Areas



Supply Uncertainties Drive Cattle Markets

On August 8, USDA announced conditions for resuming beef imports from Canada. Imports of ruminant meat products and livestock had been banned since May 20 when post-mortem lab reports identified a mature cow in Canada had Bovine Spongiform Encephalopathy (BSE). Consequently, domestic beef production forecasts have been adjusted as live cattle shipments from Canada for both immediate slaughter and for placement in U.S. feedlots remain restricted. Prior forecasts have included adjustments for the ban up to the publication date for the *World Agricultural and Supply and Demand Estimates*, but assumed normal beef and cattle trade with Canada into the forecast period after the publication date. Adjustments have been made in the current forecasts to recognize these regulations recently announced. Consequently, imports of boneless beef under 30 months of age are included in the trade estimates, but live cattle for immediate slaughter or stocker/feeder cattle imports for eventual feedlot placement have been removed from the forecasts, and domestic beef production forecasts have been adjusted accordingly. In addition, most cow beef will not be eligible for export due to the 30-month age restriction.

On August 1 feedlots in Alberta and Saskatchewan, Canada were operating at about 66 percent of capacity. Most cattle in Canada, as well as the U.S. are on feed about 150 days. Consequently, although cattle presently on feed will be slaughtered with some of the meat exported to the U.S. under the new permits, it will be 4 to 5 months, typical days on feed, before the Canadian industry can shift toward fed cattle marketings nearer capacity. Cattle on feed on August 1 in U.S. feedlots with over 1,000 head of capacity were down 5 percent from a year earlier and slaughter weights remain sharply lower than a year earlier. Although both markets are starting from a supply situation that is tighter than normal, they will be faced with different adjustment paths. Canada will have to adjust to a much larger slaughter schedule as cattle, which were normally exported to the U.S., are slaughtered domestically. On the other hand, U.S. packers will have to compete for a tight supply of fed cattle that could remain on feed for additional feeding time to improve quality.

Grain/Forage Supplies Tighten

Although corn production is forecast at record levels, the crop was reduced from the July estimate as conditions deteriorated west of the Mississippi River. Similarly, total feed grain production was reduced 3 percent from the July forecast, but remains a large crop. The projected price range for corn was increased 10 cents from last month to \$2.00 to \$2.40 a bushel, down from \$2.30 in 2002/03, but well above 2001's \$1.97 average.

Grazing conditions deteriorated rapidly during July and early August with the drought spreading from the West into most of the Great Plains. Rebuilding hay stocks will again be important to maintaining even the reduced cattle inventory. Autumn rains and establishing small grain pastures and accumulating grass for fall and winter grazing will be paramount as the industry moves into calf weaning and cow culling season. Beef and particularly dairy cow slaughter has remained large this year, and beef cow slaughter has increased with the worsening drought situation.

Total hay production is expected to rise sharply this year. Alfalfa production is forecast to rise 6 percent. Production of other hay is also forecast to rise 6 percent as yields are expected to reach record levels, although excess moisture conditions in many areas may have resulted in poor harvesting conditions and hay quality. In July the farm price of alfalfa averaged \$92.70 a ton, down seasonally from \$98.90 in June, well below last year's \$102 average. Conversely, the farm price of other hay averaged \$77.80 in July, down only marginally from June, but up \$5.60 a ton from a year earlier. While producers are likely building stocks, poorer feeding quality of this large harvest likely increased demand for the better hay, resulting in a portion of the price increase.

Cattle Cycle Continues To Lengthen

Cattle inventories continue to decline in 2003 as drought and increasing market uncertainties make producers reluctant to begin expansion. The rate of decline has moderated with most inventory categories unchanged to down less than 1 percent. The total cow inventory was reduced only

marginally with beef cows down only 150,000 head, but was the 8th year of decline. The number of beef replacement heifers is unchanged from the low levels of the past 2 years, and down over a million head from the mid-1990s. The number of replacement heifers calving and entering the herd during the first half of the year rose but not enough to offset the continued large cow slaughter. This year's calf crop is expected to be 38 million head, down less than 1 percent from last year and the smallest calf crop since 1951. Continued large cow slaughter and low heifer retention insure declining beginning cattle inventories in 2004 and 2005. The ban on cattle imports from Canada will also hold down feeder cattle numbers.

Feeder Cattle Supplies Continue Decline

Supplies of stocker/feeder cattle outside of feedlots and available for eventual feedlot placement continue a slow modest decline along with the cattle inventory. Very modest heifer retention continues to support larger numbers of heifers being placed on feed, although the number of heifers on feed is down. A continued ban on imports of feeder cattle from Canada will also hold down feeder cattle supplies. However, in the fall and winter larger numbers of U.S. feeder cattle are usually exported to Canada. With large numbers of Canadian cattle on feed, until the ban is lifted fewer U. S. feeder cattle are likely to be exported to Canada. Demand for feeder cattle in the United States is expected to be strong. This will add to fall and winter supplies of feeder cattle.

Fed Cattle Supplies Remain Tight

Canadian cattle slaughtered in the United States have been removed from the second-half 2003 and 2004 forecasts of domestic slaughter and production. Both industries will be undergoing adjustments at least through mid-winter, which is about the earliest the Canadian industry can adjust to feeding and slaughtering the cattle, which up until May 20 entered the United States as feeder cattle eventually to be slaughtered in U. S. plants. Cattle on feed inventories on August 1 were down 5 percent from a year earlier as July placements remained large, but marketings rose

even more. Fed cattle continue to be marketed ahead of schedule and at lighter weights to fill the beef void due to the ban on Canadian beef and cattle imports.

The ban on live cattle imports from Canada also will result in changes in feedlot/slaughter relationships. Over the past 3 years marketings from feedlots with over 1,000 head of capacity represented 80.2 to 80.8 percent of commercial steer and heifer slaughter. Typically the first quarter represented the largest proportion and the fourth quarter the lowest proportion of steer and heifer slaughter. The remaining cattle were from smaller feedlots and Canadian slaughter cattle for immediate slaughter. The Canadian cattle comprised a little more than 1 percent of the slaughter mix. Consequently, marketings from the 1,000 plus head feedlots are expected to represent about 81.5 to 82 percent of steer and heifer slaughter.

Fed cattle marketings and slaughter rates are expected to remain strong through September, but the rate will slow as Canadian beef comes into the market again and U.S. cattle pick up more days on feed to compete in the higher quality domestic and export beef market. A return toward the longer term record weight trend is unlikely until next winter when the U.S./Canada beef production systems come more into alignment with changed domestic and trade alignments. U.S. slaughter weights will rise, but it will likely be winter before the industries come into balance and more normal feeding periods. Even then, cattle inventories in both countries are lower than a year earlier and are likely to continue declining until at least January 2006.

Cow slaughter remains strong with the extension of the drought area into the heart of the beef cow population in the Great Plains since early summer is not likely to slow until grazing conditions improve seasonally this fall. Cow slaughter has remained large even with the ban on imports of Canadian cows for slaughter. Consequently, domestic cow slaughter has been even larger than comparisons with previous data which included Canadian cow imports for slaughter would suggest.

Tight Supplies Result in Record Retail and Near-Record Cattle Prices

Prices of Choice beef at retail have been on a record-setting pace since February. Prices averaged a record \$3.64 a pound in the second quarter, up from \$3.32 a year earlier and the previous second-quarter record of \$3.45 set in 2001, another year with weather-reduced supplies. This year, prices were already on a record pace due to poor winter weather conditions and sharply lower slaughter weights. The ban on Canadian imports on May 20 made a tight supply situation even tighter. Retail prices averaged \$3.65 a pound in July, continuing the record-setting pace. Slaughter weights have been increasing, but at less than a seasonal rate as marketings continue to be pulled forward. Even as Canadian beef returns to the market, lower U.S. cattle inventories mean per capita supplies are expected to remain well below year-earlier levels this fall and likely for the next couple of years.

Similarly, fed cattle prices have been on a record-setting pace for the past 2 months and are likely to approach the old August 1990 record of \$77.18 per hundredweight (cwt). Tight supplies are likely to keep prices in the \$77-\$78 averages this fall and winter. Improved

weather and forage conditions could result in heifer retention and further tightness in 2004 fed beef supplies. Prices next spring through fall are likely to average in the low \$80s, particularly if the economic recovery continues and international demand for high quality beef remains strong.

Yearling feeder steer prices are likely to remain strong, particularly with moderate grain prices and tight fed cattle supplies. Prices are likely to remain in the upper \$80s per cwt, touching on \$90 per cwt at times. Utility cow prices remain strong as supplies of Canadian cow/processing beef remains banned from the U.S. market. Prices are averaging near \$50 per cwt this summer, up from \$37.69 a year ago. Prices are likely to remain near \$50 over the next year, and prices could rise even more if the United States and world cattle sectors shift toward female retention and herd expansion. Fed beef supplies will remain tight due to reduced cattle inventories, and processed beef supplies could get equally tight. At the present time supplies of 50-percent lean processing beef are in very tight supply due to the light slaughter weights and reduced fat trim. Imported 90-percent lean beef remains at a strong discount to the domestic product.

BSE in Canada and Japanese Safeguard Tariffs Distort U.S. Beef and Cattle Trade

The most important influence on U.S. beef and cattle markets this year is likely to be the May 20th report of an 8-year-old beef cow in Alberta, Canada that tested positive for bovine spongiform encephalopathy (BSE). Imports of cattle and beef were promptly banned by all of Canada's major markets, including the United States. On August 8, Agriculture Secretary Veneman announced the procedures for resuming shipment from Canada of deboned beef from cattle certified to be less than 30 months old, and the initiation of a protocol toward resuming shipments of live animals. Permitted beef should begin moving shortly, but live animal movement is expected to take longer because of the rule-making process through the International Office of Epizootics. Mexico followed suit with a similar announcement.

U.S. and Canadian Industries Seriously Impacted

The ban seriously affected Canada's cattle industry, which normally exports a number of animals roughly equivalent to about 25 percent of its calf crop and more than 50 percent of its beef production. Of those cattle exported, in a normal year, nearly all are exported to the United States, with about 80-85 percent destined for immediate slaughter and most of the rest being feeder calves and dairy animals. The United States is also Canada's major market for both processed and fed beef, accounting for 75-80 percent of Canada's beef exports in a normal year. Mexico has been a growing market for Canadian beef in recent years, accounting for 10-15 percent of Canada's beef exports, with the remainder going to Asia. Canada normally exports about 90 million pounds of beef per month to the United States and about 30 million pounds to other countries.

Beef and cattle prices in the United States increased dramatically upon announcement of the ban because Canadian beef imports normally account for nearly 4 percent of U.S. beef consumption and Canadian cattle account for 3-5 percent of all cattle slaughtered in the United States.

Second and Third Quarter Exports Revised Upward

Second quarter exports equaled 678 million pounds, with exports to Canada stronger than expected. They have remained at or above historical levels of about 4 million pounds per week for several weeks after the ban was announced.

U.S. beef exports to Mexico increased rather sharply in May. The timing suggests that factors other than the ban played a role in those increased exports. Two clear factors are: 1) the recent 8-10 percent appreciation of the Mexican peso against the dollar that began in March; and 2) increased tourism, which had been lethargic most of last year. Mexico normally accounts for about 15 million pounds of monthly Canadian beef exports. While the United States may have picked up some of what Canada would have otherwise supplied to Mexico for the one and one-third months of the second quarter included in the ban, most of the revision may reflect additional demand by Mexico.

Finally, exports to Japan were also above expectations in May, suggesting increased strength in that market. Japanese importers may have minimized exposure to higher tariffs on fresh/chilled beef that took effect August 1st by shifting imports into late May, June, and July. The tariff on fresh/chilled beef increased from 38.5 percent to 50 percent on August 1st as a result of the Japanese safeguard system. Fresh/chilled beef accounts for about one-half of Japanese beef imports and nearly half of those imports are supplied by the United States.

U.S. exports for the third quarter are revised upward from last month by 15 million pounds, to 645 million pounds. This is less of an upward revision than for the second quarter because, firstly, increased demand in Mexico is being tempered by higher U.S. prices. Secondly, increased imports by Japan in July are unlikely to persist after the August 1 increased tariff on fresh/chilled beef. It is also difficult to determine how much the ban on Canadian beef exports may have benefited U.S. beef exports to Japan, but Canada would typically only supply about 5

million pounds monthly to Japan, so the effect was likely small.

U.S. Imports Revised Downward Partly as a Result of the Ban

U.S. beef imports for the second quarter have been revised downward from last month by 40 million pounds. Previous downward revisions of 120 million pounds accounted for the loss of Canadian imports for the one-and-one-third months of the second quarter covered by the ban. The current 40-million-pound revision for the second quarter represents weaker-than-expected imports from Australia and New Zealand. Weaker imports from these countries are mainly a result of cyclically high U.S. cow slaughter in the first and second quarters reducing demand for imported processing beef, and dairy cow slaughter was especially high.

Import forecasts for the third quarter now reflect the trade with Canada and some ability of Canada

to supply the permitted product that was stockpiled in Canada under the ban. Imports for 2003 are now expected to be down 8-9 percent from last year.

Effects of Resumed Trade To Be Complex

Under the terms of the August 8th announcement, no Canadian cattle are allowed into the United States until a protocol is worked out for their movement. However, beef from these animals and any others may be imported provided that it is certified that the slaughtered animal is under 30 months of age and has been deboned under acceptable procedures. A switch over time to such beef that has been deboned using acceptable methods could allow increasing amounts of Canadian beef entry into the U.S. market. The current revisions in beef trade for the fourth quarter 2003 and beyond reflect these assumptions. Cattle trade revisions also reflect the conditions of the ban, but also include some lower exports to Mexico.

Cheese Prices Hanging On

Wholesale cheese prices continued to rise through July, ending the month more than 45 cents per pound above those of early June. Early August prices have mostly held steady. Thus far, tightness in cheese markets has been able to withstand a very large gap between values of milk used in cheese and that used for butter and nonfat dry milk. Even so, heavy supplies of butter and nonfat dry milk likely will remain a major threat to cheese prices.

Cheese production was fairly weak through June, although price increases may have it in July. The large premiums that could be paid for cheese milk should have caused some shifting of milk supplies and use of nonfat dry milk to produce cheese. However, any increases in cheese output probably were small. Supplies of milk for manufacturing likely stayed tight relative to the preceding 18 months. Also, contractual obligations for butter reportedly inhibited butter-powder operations from releasing milk to cheese production.

Buyers have become much more aggressive in seeking current cheese and second-half supply commitments. However, it is not yet clear whether these actions imply more than just a typical precautionary response to rising prices. The size and duration of price increases, supported by recent production data and signs of demand recovery, suggest some market tightness in coming months. But, the expected ample supplies of butter and nonfat dry milk may re-emerge as major factors in cheese prices, once cheese pipelines are rebuilt. This view is supported by the relatively modest response of butter prices to the sharp increases in cheese prices. Butter prices were up only about 7 cents from early June.

Cheese prices are projected to hit an early seasonal peak as the pressure from ample supplies of butter and powder is more fully felt in cheese markets. Even so, farm milk prices during the second half of 2003 should average higher than a year earlier because of the recent increases in cheese prices. For all of 2003, the milk price is expected to average near the 2002 price.

Declines Faster Than Expected for Breeding Sheep Inventory

The U.S. sheep inventory is declining faster than expected. On July 1, 2003, the U.S. sheep and lamb inventory totaled 7.8 million head, 4 percent below a year earlier. This compares with a 2-percent decline in each of the two previous years. Drought conditions in the Western United States continue to result in greater than normal culling of breeding ewes. The July 1, 2003, breeding sheep inventory dropped 4 percent from 2002. This compared with a 2-percent decline in 2002 and a 3-percent decline in 2001. Replacement lambs have declined 2 percent for 2003 (replacement lambs declined 4 percent in 2002), and their share of the total breeding inventory has remained at 13 percent.

Declining lamb and mutton production shows no sign of slowing. First-half lamb and mutton production was down nearly 12 percent from a year

ago while choice slaughter lamb prices at the San Angelo, Texas market averaged \$27 per cwt above the same period a year earlier. Short supplies have kept strong slaughter lamb prices throughout the first half and prices are expected to remain fairly strong for the second half of the year. However, prices are expected to fall slightly with the customary seasonal decline in demand during the third quarter.

Imports of lamb and mutton continue to be strong, although the first half imports are less than the same period last year. Lamb imports for the first half reached 84 million pounds, down nearly 9 percent from the same period a year earlier. First-quarter 2003 imports totaled 40 million pounds, down 17 percent from a year earlier and second-quarter imports totaled 44 million pounds, the same as a year earlier. Drought conditions in Australia, a primary U.S. supplier, may result in continued tight total supply for the United States. Imports in 2003 are expected to account for about 46 percent of U.S. consumption, up from 31 percent in 1998.

Broiler Production Down 0.4 Percent

Broiler production during the first half of 2003 was about 16 billion pounds, down less than 1 percent from the same period in 2002. Production during the second quarter of 2003 was down only slightly from the previous year. The decrease in broiler meat production has been the result of a lower number of birds going to slaughter. Over the first half of 2003, the number of broilers slaughtered was 4.2 billion, down 1.9 percent from the same period a year earlier. The decline in the number of birds being slaughtered has been partially countered by increasing weights. Average broiler weight at slaughter in the first half of 2003 has been 5.19 pounds, up 1.6 percent from the previous year. Broiler meat production during the second half of 2003 is expected to be slightly higher than during the same period in 2002, as broiler companies respond to the gradual strengthening in most broiler prices. The weekly numbers of chicks being placed for growout are beginning to approach year-earlier levels, and average weights continue to be 1-to-2 percent higher than the previous year.

Broiler Exports Down, Forecast Uncertain

Over the first 6 months of 2003, broiler exports have been 2.37 billion pounds, down less than 1 percent from the same period in 2002. The chief reasons for the lower shipments were lower exports to Russia, Hong Kong/China, and Mexico.

Exports to Russia were 675 million pounds in the first half of 2003, 13 percent lower than the previous year. Much of the decline has come from the enactment of a quota on imports of poultry products and earlier uncertainties about the structure of the quota and how it would be allocated. Falling exports to Hong Kong/China have reflected the SARS outbreak and its impacts on the Hong Kong economy. Poultry shipments to Mexico have been depressed (down 15 percent) as the Mexican economy has slowed and discussions on placing a tariff-rate quota on imports of U.S. frozen leg quarters have created uncertainties.

The U.S. broiler export outlook over the second half of 2003 continues to have a number of problems. Although the Russian quota for U.S. poultry imports seem set through the remainder of 2003, there are still a number of questions about its composition for 2004. In Hong Kong, the chief questions are whether

there will be any long-term economic effects from the SARS outbreak and whether imports will return to levels seen in the past. With the conclusion of bilateral discussion with Mexico about imports of U.S. leg quarters, exports are expected to strengthen to levels closer to those seen in past years. While the gradual strengthening of prices for export-oriented products as leg quarters and wings seems to indicate a growing export demand, the current situation differs from previous export-market driven price increases due to falling U.S. broiler production in the first half of 2003.

Turkey Production Flat in First-Half 2003

Turkey production over the first 6 months of 2003 was 2.8 billion pounds, only fractionally lower than during the same period in 2002. The decrease in production is due to the same set of factors as the decrease in the broiler industry. The total number of turkeys going to slaughter in the first half of 2003 was down about 1 percent, but was mostly offset by a 0.7-percent increase in the average liveweight of turkeys (27.4 pounds) during this period. The forecast for the second half of 2003 is for a slight decline in production compared with the previous year. The number of poult placed for growout during the first 7 months of 2003 has totaled 174.8 million, down 1.6 percent from the same period in 2002. In addition, lower prices for whole birds and many turkey parts, along with large stocks in cold storage, has dampened any enthusiasm for increases in production.

Turkey Exports Fall by 9 Percent

Over the first 6 months of 2003, U.S. turkey exports totaled 216 million pounds, down 9 percent compared with the previous year. The quota on poultry imports into Russia has pushed exports to that market down by 60 percent compared with the previous year. Export shipments have also fallen heavily to Mexico and Hong Kong. The decline in shipments to these major markets has been partially offset by higher demand in Taiwan and Canada. Also exports to South Africa have strengthened significantly, with imports during the first half of 2003, at 6.8 million pounds, already higher than shipments for all of 2001 or 2002.

Expected Pork Production in 2003 About Even With Last Year

The U.S. pork industry finished the second quarter with a hog slaughter of 23.9 million head, slightly ahead of earlier expectations. Higher slaughter occurred in June, with producers likely marketing hogs aggressively to take advantage of seasonally high hog prices. Larger imports of Canadian slaughter hogs in June are also another likely factor contributing to larger than expected slaughter numbers. The same dynamic--larger-than-expected--slaughter-spilled over into July, causing third-quarter slaughter expectations to increase to 24.5 million head. If expectations are realized, about 1 percent fewer animals will be slaughtered this year, but about the same quantity of pork as last year will be produced--19.6 billion pounds--due to dressed weights of slightly more than 1 pound greater than last year.

Wholesale pork prices, as measured by the Composite Cutout, declined seasonally in July and into August, effectively limiting what processors can bid for hogs. After trading at levels 26 percent above year-earlier levels in June, the July cutout averaged just 10 percent over July 2002, and continued to decline into August. Of the primal cuts that comprise the cutout--loins, butts, picnics, ribs, hams, and bellies-only picnics, hams, and bellies continue to trade at or above year-earlier levels. Loins showed particular weakness moving into the third quarter, as expectations for greater demand due to BSE related factors were not realized, together with the Japanese Safeguard, imposed August 1, likely limited expected near-term export demand for higher valued cuts.

Third-quarter hog prices—National Base Cost, 51-52 percent lean, live equivalent—are expected to range between \$41 and \$43 per cwt, in the third quarter, for an annual average of \$39-\$40, almost 14 percent above last year's average. In the first three-quarters of 2003, retail pork prices will likely average in the low \$2.60s per pound, or, almost 2 percent less than in the same period last year. Consumers are thus paying less, for a slightly smaller supply of pork, while producers are receiving about 14 percent more for a slightly smaller supply of hogs. Packers/processors,

wholesalers, and retailers are thus sharing smaller spread, so far this year.

U.S. Exports Expected To Exceed 2002 Levels, Despite 25 Percent Increase in Japanese Gate Price

Through the first 6 months of 2003, U.S. pork exports continue to run ahead of the same period last year. The United States exported 851 million pounds through June, more than 5 percent greater than a year ago. On a cumulative basis for the first 6 months of 2003, percent changes in the same period year-over-year exports for Japan, Mexico, and Canada were +9 percent, -9 percent, and -17 percent. Together, these three countries accounted for 79 percent of U.S. pork exports, down from 83 percent for the same period in 2002. Smaller Asian markets, the European Union, and the "Other" category of countries importing U.S. pork, together helped to push U.S. exports beyond year-earlier levels. Total U.S. exports for 2003 are expected to be roughly 1.7 billion pounds, 3.5 percent more than for 2002.

At the end of July, the Government of Japan reported that pork imports in the first quarter of its April-March fiscal year exceeded the trigger level, i.e., 119 percent of the average quantity of imports during the corresponding periods in the three preceding years. When this happens, the Government of Japan imposes a Safeguard, which effectively increases its Gate Price (a minimum import price for all imported pork) by 25 percent. Given the higher minimum import price, Japan will likely import somewhat less U.S. pork, August 1, 2003 through March 31, 2004, than it would have in the absence of the Safeguard.

More Slaughter Hogs Head South, As Some Canadian Packers Struggle

Through the first 7 months of 2003, USDA/APHIS reported that the United States imported almost 3.8 million Canadian hogs, 12 percent more than in the same period last year. In a departure from recent history, the proportion of imported Canadian hogs accounted for by feeder animals dipped in July

from the low-70-percent ranges that had characterized Canadian hog imports in earlier months of 2003, to 65 percent. Several sources report that Springhill Farms, a slaughter facility in Manitoba has significantly slowed its kill-rate due to adverse economic conditions, thus creating an excess supply of more than 17,000 slaughter hogs per week. The jump in U.S. slaughter hog imports beginning in June, suggests that at least a portion of the hogs that

would otherwise be destined to Springhill Farms are coming south to the United States. Smaller packers in Ontario have also reportedly trimmed their weekly slaughter. In total, the United States is expected to import 6.1 million hogs from Canada this year, a somewhat larger proportion of which are expected to be slaughter animals, than in 2002.

By Keithly Jones

The U.S. goat industry is expanding as producers respond to niche demand for goat meat using resources that are often marginal for other enterprises. The goat industry is a classic case of a multi-output industry; goats are raised for meat, milk and milk products, mohair, and cashmere. Emphasis in recent years has shifted from mohair production in the Southern Plains to meat and milk production with a broader geographical base.

Meat goat production has historically been located in the West and Southern Plains. However, several Southern and Eastern States have seen increased inventories and numbers of goat enterprises (Pinkerton, Scarfe and Pinkerton, 1991). The ability of goats to thrive in arid environments and on marginal lands where they are more efficient in converting forage to energy than other competing animals contributes, to a large extent, to the heavy proportion of goats in the Western United States.

Chevon, or goat meat, (taken from the French word for goat, *chevre*) is said to have an excellent flavor, similar to beef and venison (Miller 1998). It has less fat than chicken or any of the red meats commonly consumed in the United States. Increased demand for chevon presumably is largely due to the increase in ethnic populations from goat-meat consuming countries of the Middle East, Africa, Latin America, and the Caribbean (Pinkerton, 1995). According to recent census data, the ethnic population from goat-consuming countries is still increasing. The problem though, is that farm level and wholesale and retail goat meat price information is often lacking. As a result, very little is known about goat production decisions or a consumer's goat-meat buying decisions.

Agricultural product markets are generally marked by a "common language" among producers, marketers, and endusers that assists the transition of raw products to intermediate or final consumer products. According to Pinkerton, et al. (1991), meat goats and goat meat marketing are unrecognized standards and erratic prices over time and place as to the price and availability. A major constraint is the lack of standards for relating live goat prices to slaughter value (VDACS, 2000).

The U.S. Department of Agriculture (USDA) has established well-defined and widely used grade standards for cattle, hogs, and sheep but not for goats. Uniform standards that accurately describe live slaughter goats and correlate this description to predictable type of carcass yield would help in the expansion of the market. However, since the goat meat market is so small, such quality standards have not been developed or implemented. The Wholesome Meat Act of 1967 regulates the slaughter and inspection of meat. The inspection and grading of meat and poultry are two separate programs within the USDA. Inspection for wholesomeness is mandatory while grading for quality is voluntary, and the service is requested and paid for by meat and poultry producers/processors (FSIS 2002).

Federally inspected slaughter data for goats show an increasing trend (table 1). In 1980, less than 100,000 head of goats were slaughtered under Federal inspection, but by 2002, the number reached over 500,000 head with a meat production of just about 12 million pounds. The average dressed weight for a meat goat is about 23 pounds (Alford et al., 1998). Federal inspected slaughter for most major livestock species ranges from 95 to 98 percent of commercial slaughter. The proportion of goats slaughtered under Federal inspection is unknown, but thought to be significantly less than for the major species.

Gibson (1999) noted that, goats, more so than any other livestock species, also pass through non-federally inspected slaughter channels such as State-inspected slaughter facilities and on-farm slaughter. However, data on these other slaughter channels are unavailable or nonexistent. Therefore, knowing exactly how many goats are slaughtered annually in the United States is not possible.

Pinkerton (1995) reports that in 1991, the last year before Federal privacy laws effectively closed public access to such data, a kill of approximately 140,000- or 67 percent of the total U.S. goat slaughter of 207,893 head was reported. Assuming this ratio still holds true, then in 2002, over 150,000 head of goat were not slaughtered at federally inspected plants. However, even with these significant increases in domestic slaughter, the United States remains a net importer of goat meat.

The growing potential of the goat meat market is further evidenced by dramatic increases in goat meat imports over the past decade (table 2). U.S. Department of Commerce statistics indicate that the United States imported 25.2 million pounds of goat meat in 2002 with a total value of \$14.2 million. Between 1989 and 2002, goat meat import quantities increased by 492 percent and the value increased by 787 percent, implying a near-doubling of goat meat import unit value over the period. At the same time, U.S. production of sheep and lamb, a very close substitute for goats, has declined. In 2002, commercial production of lamb and mutton totaled 219 million pounds, down nearly 5 percent from 2000. Moreover, production of lamb and mutton in the United States has been in a downward trend since World War II. Despite the falling domestic production, imports have risen in recent years to keep U.S. per capita lamb consumption around 1 pound. Goat meat is traditionally consumed by many of the same ethnic and religious groups as is lamb and mutton.

Australia and New Zealand are major suppliers to, and compete for, the U.S. goat meat market. More than 93 percent of U.S. goat meat imports come from Australia with most of the remainder coming from New Zealand (table 2). Goat meat imports from Canada is negligible. The last significant goat meat import from Canada was in 1995 when 31,000 pounds were imported at a value of \$22,000. As a ruminant, imports of goat meat from Canada will now be subject to the BSE-induced restrictions where only boneless meat from animals less than 12 months old can be imported. According to the New Zealand Goat Council chairman, Allen Billington, New Zealand goat meat exports are expected to continue to rise (MeatNews.com, 2002). Aided by favorable exchange rates, New Zealand goat meat exports were worth \$7.9 million in 2001. Almost half of New Zealand's goat meat exports go to the United States, a reflection of the growing affluence of ethnic groups in the United States and their preference for higher quality graded goat meat. New Zealand's domestic goat meat market is expanding as well.

U.S. imports of live goats from Canada, though sporadic, have also shown a recent up-tick. On average, live imports take place for around 6 months of each year. The most frequent import

months for live goats are October, November, and December. Live goat imports have increased since 1989 with nearly 12,000 live goats imported in 2002 at a value of \$786,423 (table 3). The first quarter of 2003 has seen live goat imports of nearly 5,000 head, just about half of last year's entire live goat imports. BSE restrictions have resulted in a banning of live imports subject to new rules.

Changing U.S. farm policies may have contributed to the growth in the goat meat market. Supply shocks are often triggered by changes in farm policy programs. The phase-out and subsequent elimination of the Wool and Mohair Act, announced in late 1993, encouraged some fiber goat producers to shift to meat goats and possibly increased feeding and better conditioning of surplus Angora goats prior to sale so as to increase the acceptability in the slaughter trade and thus influence aggregate supply (Pinkerton et al. 1994). The largest single yearly increase in federally inspected goat slaughter occurred in 1993, which was the first year of the 3-year phase-out of the Wool and Mohair Incentive program (Gibson, 1999). With the loss of the incentive program, Texas mohair producers, in particular, sent marginally productive Angoras to market for meat. The Farm Security and Rural Investment Act of 2002 re-instituted Federal support for wool and mohair, but it is a slightly different program from the 1954 wool program.

Goat prices and value have been difficult to measure. Prices play a central role in determining farm-level production and consumer demands, but they are not the only factors governing these decisions. Retail prices, the prices seen by consumers, are a function of retail-level supply and demand conditions. For most animal products, an intricate set of marketing activities takes place from the time the live animal leaves the farm to the time it enters the hands of its final consumer. The extent to which these marketing activities are carried out will both facilitate movement of the product and influence the difference between the farm price and the retail price.

While it is possible to glean a wholesale price for imported goat meat via unit import values, such a procedure may not be a fair representation of the domestic price patterns. An example of the potential of the market comes from North Carolina

where, according to statistics for 2000, over 180,000 goats were sold for meat, representing receipts of over \$7.5 million (Luginbuhl, 2000). This implies a price of about \$42 per market animal. This is consistent with the price received for meat goats in enterprise budgets throughout the South. It is estimated that the North Carolina meat goat breeding stock inventory totaled 122,000 animals on 3,000 farms, or an average of 39 goats per farm. Based on this size farm, enterprise budgets for raising goats still show negative net returns to management. Estimated cost and returns per head for a 50-head meat goat operation can be found at

<http://cherokee.agecon.clemson.edu/goat.pdf>.

Meat goat farmers will have to increase herd-size to receive the necessary economies of scale that can propel them into positive net returns.

Interest in goat meat research in the United States is a relatively recent phenomenon. Producers in Texas formed the American Meat Goat Association in January 1992 and several universities pursue special research topics on goats. The University of Minnesota has developed enterprise budgets for meat goats (Lillywhite, 2001) and the University of Florida has produced research on market opportunities for goat meat (Johnson, 1989). Johnson discussed factors that contribute to an increased demand for goat meat and led to new marketing opportunities for the small farmer/rancher in the Southeast. These factors included the influx of ethnic groups that commonly consume goat meat, the increasing consumption of "ethnic" foods as consumers seek to broaden culinary experiences, and the growing awareness of, and search for, meats with lower fat.

The State University of New York, in cooperation with Los Sures, a community organization, analyzed the possibilities for selling goat meat in restaurants in the Williamsburg section of Brooklyn (Pickerton, 1995). Williamsburg is a multi-ethnic community with low-to moderate-income residents. The report indicates that demand for goat meat in New York City seems relatively inelastic; however, recent economic downturns have encouraged some shifting among domestically produced goat, lamb, and sheep meat to cheaper, imported goat meat. New York goat producers may be at a disadvantage with Texas and Southeastern producers where the weather is more

amenable to extensive goat production, the grazing season is considerably longer, less supplemental feed is necessary, and housing is both simpler and cheaper. Seemingly, New York producers cannot profitably produce goats of only average quality in sufficient quantity to successfully compete with Texas and other Southern areas because the transportation differential amounts to only about \$6-\$8/head, depending on load capacity and animal size. Other work on goat meat demand and acceptance has been done by North Carolina State University's Cooperative Extension Service (Harwell and Pinkerton 1998, and Miller 1998).

As indicated earlier, the goat industry is a classic multi-output industry. Tables 4 and 5 show production of milk and mohair, respectively. Goat milk is used for cheese and other dairy products, and surplus and cull dairy goats are used in the meat goat industry. Mohair and cashmere are also produced from Angora goats, most of which are located in southwest Texas. Decisions to raise goats may depend on the expected value received for all the products--meat, milk, or cheese, and mohair or cashmere.

Despite growth in the goat meat industry, there are challenges faced with improving and managing flocks and enhancing its marketability. Problems with disease and predators in goats are much like those of sheep, affecting production cost and farm profitability. Scrapie is present in both sheep and goats but its incidence in goats is very low and sampling of goats at slaughter is not considered cost effective at this time (Sutton). Several other diseases (e.g., diseases that affect reproduction and respiratory ailments) affect the goat industry and, without proper management, they can reduce the productive capacity of the herd. Predation occurs at much the same rate in both sheep and goats. In the West and Southern Plains, coyotes, bobcats, and eagles are often the problem, but in the Southeast it is more likely to be neighborhood dogs (Harwell and Pinkerton).

Goat enterprises can be important sources of income for farm families and local and State businesses associated with producing and marketing their products, especially for niche markets. An added advantage is that the animals can be raised on marginal farmland. As the industry continues to grow and the markets become

more developed, grades and standards and price information will become more important in helping producers and consumers make informed production decisions and buying choices.

Because market outlook for goats is a relatively new topic, more research is needed to better understand and define a growing market for goat meat that encompasses both a traditional and non-traditional clientele. A link at <http://www.mgo.umn.edu/livestock/Meat%20Goats.htm> provides a partial listing of sources for goat

meat research. Southeastern collaborators on meat goat research include the University of North Carolina, Virginia State University, Virginia Polytechnic Institute and State University, Fort Valley State College, Langston University, Florida A&M University, and the USDA-ARS Appalachian Farming Systems Research Center. At Cornell University, the Northeast Sheep and Goat Marketing Program covers 11 States and provides information about the marketing and raising of goats for meat.

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Table 1--Federally inspected slaughter of sheep and goats, selected years, 1980 to 2002

Year	Goats	1,000 head	Sheep
1980	97.3		5,363.0
1985	124.5		5,976.3
1990	229.6		5,476.9
1995	326.1		4,387.9
2000	533.9		3,308.0
2002	511.0		3,092.3

Source: Food Safety Inspection Service, USDA.

Table 2--U.S. goat meat imports, 1989-2002

Year	Australia	New Zealand	Total
		Million pounds (carcass weight)	
1989	4.1	0.1	4.3
1990	4.7	0.2	4.9
1991	5.5	0.6	6.1
1992	7.4	1.0	8.5
1993	5.1	1.7	6.8
1994	6.3	0.8	7.1
1995	8.7	0.0	8.8
1996	7.9	0.7	8.7
1997	11.1	0.6	11.7
1998	14.9	1.2	16.1
1999	10.1	2.1	12.2
2000	19.2	1.2	20.4
2001	18.5	2.2	20.7
2002	23.2	2.0	25.2

Source: Foreign Agricultural Trade Statistics, Census Bureau, U.S. Department of Commerce.

Table 3--Imports of live goats, 1989 to present.

Year	Live goat imports	
	\$U.S.	Number
1989	22,130	1,055
1990	36,645	524
1991	-	6
1992	15,938	20
1993	124,052	757
1994	2,020,718	28,500
1995	641,177	1,385
1996	358,757	1,144
1997	243,279	1,172
1998	295,081	2,475
1999	317,714	1,166
2000	284,526	1,414
2001	338,760	3,686
2002	786,423	11,874
2003*	345,316	4,841

Source: Foreign Agricultural Trade Statistics, Census Bureau, U.S. Department of Commerce.

*first quarter 2003.

Table 4--Milk goats, inventory and sales

Item	1997	1992	1987
Milk goats, inventory (farms)	11,456	11,559	15,443
Milk goats, inventory (number)	146,678	124,718	129,225
Milk goats, sales (farms)	3,870	3,657	4,770
Milk goats, sales (number)	54,454	46,284	49,795
Goat milk, sales (farms)	2,025	2,010	2,378
Goat milk, sales (gallons)	9,009,037	7,222,917	4,369,866
Sales (farms)	4,725	4,497	5,830
Sales, total sales (\$1,000)	27,639	20,570	12,845

Source: Census of Agriculture, U.S. Department of Commerce.

Table 5--Angora goats,-inventory and sales

Item	1997	1992	1987
Angora goats, inventory (farms)	4,470	6,150	5,352
Angora goats, inventory (number)	809,391	1,799,280	1,702,166
Angora goats, sales (farms)	1,601	2,416	2,158
Angora goats, sales (number)	232,337	396,698	328,219
Mohair, sales (farms)	3,250	5,274	4,691
Mohair, sales (pounds)	5,176,982	13,655,639	13,180,549
Sales (farms)	3,473	5,470	4,892
Sales, total sales (\$1,000)	16,138	32,316	45,882

Source: Census of Agriculture, U.S. Department of Commerce.

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Related Article

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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/>

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Red meat and poultry forecasts

	2002				2003				2004			
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Production, million lb												
Beef	6,833	7,097	6,783	27,090	6,287	6,907	6,925	6,125	26,244	6,000	6,550	25,350
Pork	4,797	4,832	5,255	19,664	4,889	4,734	4,750	5,160	19,533	4,850	4,700	19,450
Lamb and mutton	54	51	56	219	49	50	49	51	199	49	48	194
Broilers	8,234	8,251	7,936	32,240	7,770	8,225	8,275	8,100	32,371	7,900	8,325	32,725
Turkeys	1,441	1,412	1,482	5,713	1,379	1,437	1,400	1,475	5,691	1,375	1,450	5,775
Total red meat & poultry	21,543	21,837	21,700	85,669	20,550	21,533	21,574	21,083	84,740	20,354	21,259	84,211
Table eggs, mil. doz.	1,518	1,551	1,573	6,148	1,511	1,514	1,555	1,580	6,160	1,520	1,530	6,205
Per capita consumption, retail lb 1/												
Beef	17.5	17.3	16.6	67.6	16.2	16.9	17.1	14.5	64.7	15.2	16.3	62.6
Pork	12.6	12.7	13.8	51.5	12.6	12.5	12.3	13.4	50.8	12.4	12.2	50.1
Lamb and mutton	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.1	0.3	0.3	1.1
Broilers	20.8	20.6	19.9	80.5	19.6	20.7	20.4	19.6	80.2	19.4	20.3	79.4
Turkeys	3.9	4.4	5.9	17.7	3.6	3.9	4.2	6.0	17.7	3.7	4.0	17.8
Total red meat & poultry	55.6	55.8	57.0	220.5	52.7	54.8	54.7	54.2	216.5	51.6	53.7	213.1
Eggs, number	62.6	64.0	64.6	253.7	61.9	62.1	63.6	64.4	252.0	61.6	62.0	250.9
Market prices												
Choice steers, Neb., \$/cwt	65.58	63.29	69.10	67.04	77.82	78.49	75-77	75-79	76-78	76-81	79-85	77-84
Feeder steers, Ok City, \$/cwt	76.96	78.87	83.08	80.04	78.38	82.49	87-89	89-93	84-86	85-91	83-89	86-92
Boning utility cows, S. Falls, \$/cwt	42.28	37.69	35.69	39.23	40.32	46.52	49-51	47-49	44-45	45-49	48-52	47-50
Choice slaughter lambs, San Angelo, \$/cwt	66.00	74.60	82.02	72.31	91.92	93.71	84-86	83-87	87-90	79-85	80-86	79-86
Barrows & gilts, N. base, i.e. \$/cwt	35.03	33.86	31.34	34.92	35.38	42.64	41-43	38-40	39-40	39-43	41-45	41-44
Broilers, 12 City, cents/lb	56.10	56.40	53.70	55.60	60.30	59.60	61-63	58-62	50-61	57-61	59-63	58-63
Turkeys, Eastern, cents/lb	62.90	66.70	68.20	64.50	61.10	60.60	62-64	66-70	62-64	59-63	61-67	64-69
Eggs, New York, cents/doz.	58.40	65.30	75.40	67.10	77.20	73.90	76-78	78-82	76-78	74-80	69-75	74-80
U.S. trade, million lb												
Beef & veal exports	601	662	612	2,447	585	665	645	610	2,505	600	660	2,550
Beef & veal imports	934	839	708	3,218	810	740	740	650	2,940	860	975	3,530
Lamb and mutton imports	44	32	38	162	40	48	36	43	167	45	43	167
Pork exports	418	389	414	1,611	413	425	400	430	1,668	405	430	1,695
Pork imports	262	275	299	1,071	289	290	300	325	1,204	310	310	1,255
Broiler exports	1,119	1,257	1,219	4,800	1,200	1,125	1,250	1,300	4,875	1,250	1,275	5,200
Turkey exports	107	100	103	439	103	100	105	120	428	110	105	445

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/}

	2002				2003					2004		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
GDP, chain wtd (bil. 1996 dol.)	9,388	9,465	9,503	9,435	9,556	9,608	9,692	9,784	9,661	9,877	9,971	10,016
CPI-U, annual rate (pct.)	3.4	1.9	2.4	2.2	3.9	0.6	1.5	1.4	1.8	2.0	1.9	2.0
Unemployment (pct.)	5.9	5.7	5.9	5.8	5.8	6.2	6.2	6.1	6.1	6.0	5.9	5.9
Interest (pct.)												
3-month Treasury bill	1.7	1.6	1.3	1.6	1.2	1.0	1.0	1.0	1.1	1.1	1.3	1.5
10-year Treasury bond yield	5.1	4.3	4.0	4.6	3.9	3.6	4.2	4.3	4.0	4.4	4.5	4.6

^{1/} Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, August 2003.

DAIRY FORECASTS

	2002				2003					2004		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.)	9,149	9,153	9,148	9,141	9,154	9,116	9,080	9,050	9,100	9,000	8,960	8,950
Milk per cow (pounds)	4,811	4,566	4,543	18,573	4,691	4,815	4,580	4,620	18,705	4,840	4,950	19,235
Milk production (bil. pounds)	44.0	41.8	41.6	169.8	42.9	43.9	41.6	41.8	170.2	43.6	44.4	172.1
Commercial use (bil. pounds)												
milkfat basis	42.2	43.8	43.9	170.5	41.2	43.2	44.3	44.8	173.4	42.5	44.4	177.5
skim solids basis	40.6	42.3	41.2	163.4	40.2	41.0	42.6	42.1	165.9	41.4	42.3	171.2
Net removals (bil. pounds)												
milkfat basis	0.1	0.1	0.1	0.3	0.4	0.5	0.2	0.1	1.2	0.3	0.2	0.6
skim solids basis	3.5	2.1	1.5	9.8	3.1	3.0	1.4	0.9	8.4	1.8	2.2	4.9
Prices (dol./cwt)												
All milk ^{1/}	12.03	11.33	11.97	12.11	11.37	11.07	12.80	13.20	12.10	11.25	10.75	11.40
							-13.10	-13.80	-12.30	-12.15	-11.75	-12.40
Class III	10.59	9.59	10.10	10.42	9.52	9.62	12.85	11.35	10.85	9.60	9.80	10.15
							-13.15	-11.95	-11.05	-10.50	-10.80	-11.15
Class IV	10.73	10.36	10.52	10.81	9.89	9.74	10.00	10.15	9.95	9.60	9.40	9.70
							-10.40	-10.85	-10.25	-10.60	-10.50	-10.80

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

Total heifers entering cow herd January-June and July-December

Year	Jan 1 cow inventory	Intended herd replacements Jan. 1	Total 1/ disappearance Jan.-June 1,000 head	July 1 cow inventory	Heifers entering the herd Jan.-June	Percent entering Percent	Intended herd replacements July 1	Total 2/ disappearance July-Dec.	Jan. 1 entering cow inventory following year 1,000 head	Heifers entering the herd July-Dec.	Percent entering Percent
1989	42,625	9,442	3,518	43,000	3,893	41.2	9,200	3,439	42,469	2,908	31.6
1990	42,469	9,454	3,347	42,900	3,778	40.0	9,100	3,210	42,485	2,795	30.7
1991	42,485	9,536	3,229	43,200	3,944	41.4	9,300	3,031	42,735	2,566	27.6
1992	42,735	9,774	3,271	43,600	4,136	42.3	9,700	3,218	43,023	2,641	27.2
1993	43,023	10,268	3,396	44,600	4,973	48.4	9,700	3,338	44,110	2,848	29.4
1994	44,110	10,489	3,293	45,100	4,283	40.8	9,900	3,310	44,672	2,882	29.1
1995	44,672	10,573	3,462	45,600	4,390	41.5	9,600	3,490	44,739	2,629	27.4
1996	44,739	10,279	3,912	45,100	4,273	41.6	9,200	4,033	43,776	2,709	29.4
1997	43,776	10,100	3,640	44,100	3,964	39.2	8,900	3,581	43,084	2,565	28.8
1998	43,084	9,750	3,361	43,600	3,877	39.8	8,600	3,268	42,878	2,546	29.6
1999	42,878	9,604	3,221	43,300	3,643	37.9	8,500	3,132	42,759	2,591	30.5
2000	42,759	9,503	3,151	43,200	3,592	37.8	8,400	3,011	42,580	2,391	28.5
2001	42,580	9,645	3,295	43,000	3,715	38.5	8,200	3,118	42,229	2,347	28.6
2002	42,229	9,621	3,177	42,900	3,848	40.0	8,300	3,215	42,099	2,414	29.1
2003	42,099	9,712	3,402	42,700	4,003	41.2	8,200				

1/ Death loss calculated as 1 percent of January 1 cow inventory plus estimated commercial cow slaughter

2/ Death loss calculated as 1/2 percent of January 1 cow inventory plus estimated commercial cow slaughter

Beef heifers entering cow herd January-June and July-December

Year	Jan. 1 cow inventory	Intended herd replacements Jan. 1	Total 1/ disappearance Jan.-June	July 1 cow inventory	Heifers entering the herd Jan.-June	Percent entering	Intended herd replacements July 1	Total 2/ disappearance July-Dec	Jan 1 entering cow inventory following year	Heifers entering the herd July-Dec.	Percent entering
	1,000 head			Percent			1,000 head			Percent	
1995	35,190	6,452	1,907	36,100	2,817	43.7	5,700	1,976	35,319	1,195	21.0
1996	35,319	6,189	2,303	35,700	2,684	43.4	5,500	2,392	34,458	1,150	20.9
1997	34,458	6,042	2,073	34,800	2,415	40.0	5,300	2,019	33,885	1,104	20.8
1998	33,885	5,764	1,900	34,400	2,415	41.9	5,000	1,918	33,745	1,263	25.3
1999	33,745	5,535	1,850	34,150	2,255	40.7	4,800	1,742	33,569	1,161	24.2
2000	33,569	5,503	1,731	33,950	2,112	38.4	4,700	1,619	33,397	1,066	22.7
2001	33,397	5,588	1,851	33,900	2,354	42.1	4,600	1,797	33,118	1,015	22.1
2002	33,118	5,561	1,816	33,750	2,448	44.0	4,600	1,785	32,947	982	21.3
2003	32,947	5,608	1,876	33,600	2,529	45.1	4,600				

1/ Death loss calculated as 1 percent of January 1 cow inventory plus estimated commercial cow slaughter.

2/ Death loss calculated as 1/2 percent of January 1 cow inventory plus estimated commercial cow slaughter

July 1 cattle inventory

Class	01-Jul-95	01-Jul-96	01-Jul-97	01-Jul-98	01-Jul-99	01-Jul-00	01-Jul-01	01-Jul-02	01-Jul-03	Percent change 2003/2002
	1,000 head									
Cattle and calves	113,000	111,600	109,200	107,700	107,000	106,300	105,800	105,100	103,900	-1.1%
Cows and heifers that have calved	45,600	45,100	44,100	43,600	43,300	43,200	43,000	42,900	42,700	-0.5%
Beef cows	36,100	35,700	34,800	34,400	34,150	33,950	33,900	33,750	33,600	-0.4%
Milk cows	9,500	9,400	9,300	9,200	9,150	9,250	9,100	9,150	9,100	-0.5%
Heifers 500 lb+	17,600	17,300	17,100	16,700	8,100	16,500	16,400	16,200	15,900	-1.9%
For beef cow replacement	5,700	5,500	5,300	5,000	4,800	4,700	4,600	4,600	4,600	0.0%
For milk cow replacement	3,900	3,700	3,600	3,600	3,700	3,700	3,600	3,700	3,600	-2.7%
Other heifers	8,000	8,100	8,200	8,100	8,100	8,100	8,200	7,900	7,700	-2.5%
Steers 500 lb+	15,400	15,100	14,800	14,600	14,400	14,300	14,600	14,500	14,200	-2.1%
Bulls 500 lb+	2,400	2,400	2,300	2,200	2,200	2,100	2,100	2,100	2,100	0.0%
Calves under 500 lb	32,000	31,700	30,900	30,600	30,500	30,200	29,700	29,400	29,000	-1.4%
Calf crop: Jan.-June	0	29,300	28,600	28,500	28,500	28,400	28,100	27,900	27,700	-0.7%
July-Dec	10,764	10,523	10,361	10,312	10,296	10,231	10,180	10,293	10,300	0.1%

Feeder cattle supply outside feedlots

Item	1996	1997	1998	1999	2000	2001	2002	2003	Change from previous year
				1,000 head		3/	3/		Percent
On farms Jan 1:									
Calves < 500 lb	18,384	17,826	17,401	17,290	16,815	16,206	15,763	15,563	-1.3
Steers over 500 lb	17,815	17,392	17,189	16,891	16,682	16,441	16,790	16,590	-1.2
Heifers over 500 lb 2/	9,948	10,212	10,051	10,170	10,147	10,131	10,057	9,890	-1.7
Total	46,147	45,430	44,641	44,351	43,644	42,778	42,610	42,043	-1.3
On feed Jan 1 1/:	12,853	13,067	13,536	13,153	13,929	14,100	13,756	12,821	-6.8
Feeder cattle outside feedlots on Jan 1:	33,294	32,363	31,105	31,198	29,715	28,678	28,854	29,222	1.3
Slaughter Jan-Mar:									
Calves	432	403	368	322	291	254	238	262	10.1
Steers & heifers	7,085	7,030	7,039	7,151	7,458	6,852	6,874	6,683	-2.8
Total	7,517	7,433	7,407	7,473	7,749	7,106	7,112	6,945	-2.3
On feed Apr 1 1/:	12,235	12,890	12,281	12,821	13,600	13,774	13,823	12,965	-6.2
Feeder cattle outside feedlots on April 1:	26,395	25,107	24,953	24,057	22,295	21,898	21,675	22,133	2.1
On farms July 1:									
Calves < 500 lb	31,700	30,900	30,600	30,500	30,200	29,700	29,400	29,000	-1.4
Steers over 500 lb	15,100	14,800	14,600	14,400	14,300	14,600	14,500	14,200	-2.1
Heifers over 500 lb 2/	8,100	8,200	8,100	8,100	8,100	8,200	7,900	7,700	-2.5
Total	54,900	53,900	53,300	53,000	52,600	52,500	51,800	50,900	-1.7
On feed July 1 1/:	9,741	10,839	10,956	11,447	12,250	12,916	12,326	11,628	-5.7
Feeder cattle outside feedlots on July 1:	45,159	43,061	42,344	41,553	40,350	39,584	39,474	39,272	-0.5
Slaughter Jul-Sep:									
Calves	469	396	394	349	293	256	281		
Steers & heifers	7,169	7,524	7,438	7,785	7,797	7,465	7,678		
Total	7,638	7,920	7,832	8,134	8,090	7,721	7,959		
On feed Oct 1 1/:	11,001	12,083	11,706	12,310	12,967	13,074	12,229		
Feeder cattle outside feedlots on Oct 1:	36,261	33,897	33,762	32,556	31,543	31,705	31,612		

1/ Estimated U.S. steers and heifers. 2/ Not including heifers for cow herd replacement.

3/ 1995-1997 data revised to incorporate July 1 U.S., and 12 State on feed data.