Briefs

Livestock, Dairy, & Poultry

Cattle Prices To Rebound in 1999

Record high average slaughter weights and continued beef herd liquidation of both cows and heifers this spring and summer have pushed this year's beef production to near-record levels, resulting in weak cattle prices. But 1999 will mark a dramatic change, with sharply curtailed feeder cattle supplies and a large decline in beef production. Lower supplies will lead to stronger prices and a much-awaited return to profitability for producers, but beef's share of the retail market will decline. Resuming its long-term trend, consumption is expected to drop to near 63 pounds per person (retail weight) in 1999 and even lower in 2000, after rising to 68 pounds in 1998.

Improved fall forage conditions in the Southern Plains and much of the Southeast remain critical to ending the liquidation phase of the present cattle cycle, which has lasted longer than expected. As grazing conditions deteriorated this summer, producers reduced cow herds, retained fewer replacement heifers, and weaned this year's calf crop at lighter weights. Herds will have to be cut further if sufficient forage is not accumulated by late fall to carry the reduced beef cow inventory through the winter.

The midyear cattle inventory report indicated that producers continue to delay the beginning of female retention for herd expansion, ensuring that beef production will decline sharply for at least the next 2 years. Many beef replacement heifers were sold and placed in feedlots this spring, reflecting the deteriorating forage conditions.

The current cattle cycle began in 1991 as inventories began expanding from a cyclical low of 95.8 million head on January 1, 1990. After peaking at 103.5 million head in 1996, the cattle inventory declined to 99.5 million head on January 1, 1998. The inventory will continue to decline for the next couple of years, almost certainly falling below 97 million head by January 1, 2000.

The July *Cattle* report indicated a decline of about 2 percent for the July 1 total cattle inventory and for beef cows, with the 1998 calf crop also estimated to drop 2 percent. The beef cow inventory is the smallest since 1992, while the projected calf crop would be the lowest since 1951. Perhaps the most telling sign of future declines in the cattle inventory is the 6-percent decline in beef replacement heifers. In addition, heifers on feed on July 1 were up from a year earlier and up sharply from 2 years ago. If rebuilding of the cattle herd were underway, many of these heifers would have been bred this summer to calve during the first half of 1999. The next opportunity to increase the calf crop will be to retain heifers from this year's calf crop for breeding next summer and calving during 2000.

Also down is the supply of feeder cattle outside feedlots, off nearly 2 percent from a year earlier and the lowest on July 1 since 1993. Supplies will only get tighter over the next couple of years as calf crops decline and as some heifers are retained for herd replacement. Feeder cattle imports will show little increase over the next few years as Mexican and Canadian cattle inventories are also being reduced.

Beef production is expected to drop sharply in 1999, reflecting the sharply reduced cattle inventory. Production for the year is expected to decline about 7 percent, with even sharper declines occurring next summer as heifer retention begins. Slaughter is expected to decline about 2

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption Total	Consumption Per capita	Primary market price
					Million lbs.				*Lbs.*	*$/cwt*
Beef	1998	465	25,759	2,536	28,760	2,110	400	26,250	68.0	62-63
	1999	400	24,006	2,760	27,166	2,155	350	24,661	63.3	69-75
Pork	1998	408	18,822	640	19,870	1,245	475	18,150	52.1	33-34
	1999	475	19,580	700	20,755	1,300	490	18,965	54.0	32-35
										c/lb.
Broilers	1998	607	27,558	5	28,169	5,008	600	22,561	72.5	62-63
	1999	600	28,943	4	29,547	5,025	650	23,872	76.1	56-61
Turkeys	1998	415	5,246	1	5,663	461	400	4,801	17.8	60-61
	1999	400	5,235	1	5,636	500	400	4,735	17.4	60-64
					Million doz.				*No*	*c/doz.*
Eggs*	1998	7.4	6,622.3	5.9	6,635.6	226.2	10.0	5,478.3	243.2	75-77
	1999	10.0	6,765.0	4.0	6,779.0	243.0	10.0	5,556.0	244.5	70-76

Based on September 11, 1998 *World Agricultural Supply and Demand Estimates.*
*Total consumption does not include eggs used for hatching.
See appendix tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

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Dropoff in Beef Production To Boost Prices in 1999

1998 and 1999 projections.
*Choice steer prices, Nebraska, Direct, 1,100-1,300 lbs.
Economic Research Service, USDA

million head in 1999, with commercial dressed weights dropping to near 713 pounds per head, down from a projected 721 pounds in 1998. Production in second-half 1999 is expected to decline 5 to 9 percent, with similarly large declines in 2000. The extent of the production decline in 2000 will be mostly a function of how many heifers are retained over the next couple of years.

But before production begins to sputter, a new record for *commercial* beef production will be set in 1998. (The 1976 record for *total* beef production—based on 42.7 million head—will remain because farm slaughter and production is considerably less now.) This year's record will be based on commercial cattle slaughter of about 35.6 million head, with average commercial dressed slaughter weight at 721 pounds.

Beef production is expected to remain large through mid-fall, with average slaughter weights remaining at record levels—near the August record average weight of 740 pounds for federally inspected dressed carcasses. Weights usually rise seasonally through mid-fall, but are likely near their peak at present as slaughter of heifers (lighter weight) will comprise a relatively larger share of the total through fall. Even though dressed weights will likely set a record for this fall, fourth-quarter production will be down slightly from a year earlier as slaughter finally falls below a year earlier.

Fed cattle prices likely hit their lows this summer, averaging a little below $60 per cwt in July and August. Prices will remain under pressure through mid-fall, but expectations of reduced production by late fall (and throughout the next several years) should cause fourth-quarter prices to reach the low to mid-$60's, up from nearly $60 this summer. Fed cattle prices are expected to rise to the low- to mid-$70's in 1999. Highest prices are likely to occur in late spring to midsummer as the summer barbeque season encounters the tightest supplies since 1993. Reduced world beef supplies will lead to a resurgence of prices for beef trimmings from a lower supply of lighter-weight fed cattle slaughter.

Per capita beef consumption is projected at 68 pounds (retail weight basis) in 1998, up from 67 pounds last year and the largest since 1989. Prices for Choice beef at retail are expected to average about $2.76 a pound, down from 1997's $2.80 average.

In 1999, choice retail beef prices are expected to average near $2.84 a pound, the highest since 1993's record $2.93 a pound. Although beef prices are expected to rise as supplies plummet, large supplies of lower-priced competing meats will limit beef price gains. Consumption is expected to decline to 63 pounds per capita in 1999, the lowest since well before the advent of the commercial cattle feeding industry in the 1960's. Consumption of other meats is forecast at about 150 pounds in 1999, resulting in a 2-percent year-over-year drop in beef share of total meat consumption.

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Upcoming Reports—USDA's Economic Research Service

The following reports will be issued electronically on dates and at times (ET) indicated.

October

2 *Aquaculture**
13 *Feed Outlook (4 p.m.)***
*Wheat Outlook (4 p.m.)***
14 *Fruit and Tree Nuts Yearbook**
20 *Agricultural Outlook**
23 *U.S. Agricultural Trade Update (3 p.m.)*
30 *Oil Crops Yearbook**

*Release of summary, 3 p.m.
**Available electronically only.

Briefs

Specialty Crops

U.S. Pear Production Down

The 1998 U.S. pear crop is forecast at 1.8 billion pounds, down 12 percent from the previous year's near-record production, primarily due to reduced production in the Pacific Coast region. Pacific Coast production of Bartlett pears is expected to be down 15 percent, while output of other varieties in the U.S. is forecast down 9 percent. Bartlett pears (a summer variety) are primarily used for canning, although some reach the fresh market, especially early in the season. Other varieties (fall and winter pears) are intended mostly for fresh use.

Over the last 3 years, California, Washington, and Oregon production of Bartlett pears averaged 53 percent of total U.S. pear production. As a result of hail damage, cooler temperatures, and above normal rainfall during the spring, California—which produces more than 50 percent of the Pacific Coast Bartlett pear crop—is expected to see production drop 4 percent compared with 1997. Washington and Oregon are expecting even greater declines—27 and 20 percent. In addition, the unusually cool spring has slowed development of the crop, so most growing areas have started harvesting later than usual.

Reduced production of pears this year indicates higher prices for fresh-market pears in the 1998/99 marketing year. However, abundant supplies of apples—which compete with pears in the fresh fruit market—and increased fresh pear inventories from last year's record production could keep prices from rising sharply, especially later in the season.

Monthly grower prices for fresh-market pears during the first 6 months of 1998 averaged sharply lower than a year ago, reflecting record fresh-market production in the fall of 1997. In spite of monthly fluctuations, prices generally moved up—from 12.7 cents per pound ($253 per ton) in January to 17.7 cents per pound ($353 per ton) in June—as the 1997/98 season came to a close.

With the beginning of the 1998/99 marketing season, grower prices in July and August rose to an average of about 22 cents per pound ($431 per ton), 28 percent higher than the same period in 1997, reflecting the expected smaller 1998 crop and a late-starting California Bartlett pear harvest. While expected stronger than last year, prices could decline seasonally in the next few months, particularly as production in Washington and Oregon overlaps with some of California's production.

Increased production in 1997 led to lower U.S. imports of fresh pears during the 1997/98 season. Imports from July 1997 to June 1998 totaled 149.6 million pounds, down 13 percent from the previous season. Meanwhile, U.S. exports of fresh pears jumped 38 percent to a record 363.2 million pounds.

In addition to record U.S. production of fresh-market pears, good fruit quality from the U.S. crop and smaller exportable supplies from the European Union (EU) helped boost exports in 1997/98. Canada and Mexico together account for over half of U.S. fresh pear exports, and the EU, Brazil, and Taiwan are also important markets for U.S. pears. Exports to Canada, Mexico and the EU were up sharply, while shipments to Brazil and Taiwan dropped 3 and 15 percent. Exports to much smaller markets in Asia—such as Malaysia, Indonesia, the Philippines, and Vietnam—also fell sharply, reflecting the currency devaluations in these countries, while exports increased markedly to Hong Kong and Japan. The Asian financial crisis will likely continue to slow shipments of U.S. pears to many Asian markets in 1998/99, and along with the expected smaller fresh-market production in 1998, will likely curtail exports in 1998/99.

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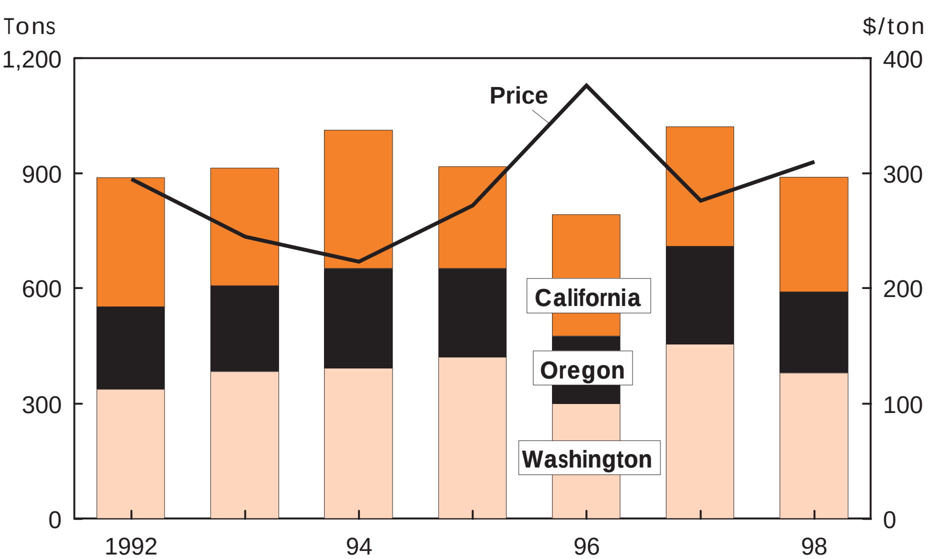
U.S. Pear Production Drops in 1998



1998 forecasts. Excludes small amounts from other States.
Economic Research Service, USDA