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## **OUTLOOK FOR LIVESTOCK AND POULTRY**

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World Agricultural Outlook Board, USDA

The livestock and poultry sectors experienced a stressful year in 2002 as a confluence of weather, disease and trade disturbances affected markets. Drought gripped much of the nation, diminishing forage and increasing grain costs. As a result, economic conditions which might have been favorable for cow/calf producers to hold back heifers to add to the breeding herd were overshadowed by the continued inability of the forage base to maintain the existing herd and the cattle cycle entered its 7<sup>th</sup> year of liquidation. Hog producers expanded farrowings by about 3 percent in the first half of 2002 but as hog prices dropped in mid 2002 and grain prices rose to 5 year highs, producers began liquidating sows and reduced farrowings below year earlier levels. As a result, inventories which were 3 percent above 2001 on June 1 finished the year 1 percent below 2001. The poultry sector was hit with several outbreaks of disease which although having limited impacts on aggregate production, resulted in disruptions of trade flows. Coupled with ongoing disputes with Russia on poultry imports, exports fell sharply and pushed large supplies on the domestic market. Faced with poor returns, the broiler industry began a sustained production cutback in the fall of 2002.

As the sector moves into 2003, prospects for livestock and poultry are somewhat improved. Although grain prices are higher than a year ago, a return to normal weather may insure adequate forage supplies for the reduced inventory. Tighter inventories should help support livestock and poultry prices during the year, setting the stage for an expansion in inventories in the next years. Hog inventories may begin increasing next year and cattle, the year beyond. Trade prospects are improved. Although several countries have instituted barriers which may limit growth in exports to those countries, it is hoped that they will bring a degree of normalcy to trade patterns. However, a number of uncertainties overhang any forecast in 2003. The economy remains sluggish and any economic disruption could limit meat demand. Disease and food safety concerns are increasing and could derail any expansion if foreign or domestic consumers shy away from meat consumption.

### **Cattle Inventory Decline Continues**

The cattle sector continues to decline as the liquidation enters its eighth year. The number of cattle and calves on farms on January 1, 2003 were 1 percent lower at 96.1 million head, down 7 percent from its 1996 peak. Tighter feeder calf supplies are conducive to producers beginning to retain heifers for addition to the breeding herd and the most recent *Cattle* report supports that idea, heifers for beef cow replacement were 1 percent higher on January 1 and bred heifers were 3 percent higher. If producers follow through with their plans, heifer calves from this year's calf crop would be retained, bred in 2004 and calve in 2005. Thus it is unlikely that beef production will rise before 2006. However, drought

continues to overhang many producer decisions. Although it has mitigated in the Southeast, the drought has continued in the West and is extending East through the central Corn Belt. Much of this new drought area saw an increase in cow numbers as cattle were moved to areas where forage was available. Stocks of hay on farms were reported 6 percent lower on December 1 which implies that some producers may find it difficult to support their cow herds until forage conditions improve.

However, should producers be able to carry through with their expansion plans, placements in feedlots are expected to drop sharply in 2003. The 2002 calf crop was the smallest since 1951 which means that the available pool of calves for slaughter will be lower than last year. Although the number of calves outside feedlots on January 1 is estimated to be 1 percent above last year, this is more than offset by a 7-percent decline in cattle on feed on that date. Many of those cattle outside feedlots are on small grain pasture and will be moving into feedlots during the first quarter, but feedlot numbers are still expected to average 7-9 percent below year earlier. Feedlot numbers are expected to tighten further during the year as supplies of calves drop and producers retain heifers to add to the breeding herd. However, if forage supplies remain tight into summer or beyond, feedlot placements may be higher than expected, especially if producers alter breeding herd decisions and retain fewer than expected heifers.

Beef production is expected to decline about 4 percent in 2003, as slaughter drops and recent gains in weights moderate. First half beef production is expected to decline by less than 1 percent as feedlots continue marketing animals placed in the latter part of 2002 and both dairy and beef cow slaughter remains relatively strong. As feedlot inventories decline, slaughter is expected to fall about 8 percent in the second half of the year with the largest beef production declines occurring in the fourth quarter of the year.

As production declines, fed cattle prices are forecast to rise. Prices in 2002 averaged \$67.04 per cwt and likely will average in the mid-\$70's through much of this year. Despite high retail prices in 2002, demand for beef remained relatively strong. Retail prices in 2003 could exceed 2001's records as supplies of beef tighten in late 2003. Spurred by higher fed beef prices and tighter calf supplies, feedlots are going to bid up the price of feeder calves. Feeder calf prices are forecast to rise from the mid-\$80's per cwt in the first half to touch the low \$90 range by the fourth quarter.

Beef exports in 2002 reached a record 2.48 billion pounds. Growth was strongest to Mexico and Korea while sales to Japan, still recovering from the BSE scare, remained substantially below 2001. Exports are forecast to grow further in 2003, reaching 2.57 billion pounds as sales to Japan recover. However, higher beef prices and continued weakness in the currencies of major importing countries may slow growth to more value conscious customers. Imports are expected to increase 3 percent to 3.3 million pounds as U.S. supplies of processing grade beef decline.

### **Hog Producers Cautious**

Faced with higher grain prices and falling hog prices, producers appear to have cut short a planned expansion and lowered inventories in 2002. The December 1 hog inventory indicated that there were 1 percent fewer hogs and pigs on farms compared to December 1, 2001. In early 2002 producers were

poised to increase production after two years of prices in the mid \$40 per cwt range,. Farrowings in the first half of 2002 averaged 3 percent higher and concerns were being expressed that slaughter numbers in the fourth quarter might begin to stress slaughter capacity. However, grain prices began to increase last summer and hog prices had begun to move lower in the second quarter. By late summer producer returns were being squeezed and, with concerns of substantially lower prices in the fourth quarter, producers scaled back their production plans. Sow slaughter jumped sharply and producers reduced farrowings to 2 percent below the previous year. By December 1, the breeding herd inventory was 3 percent below 2001.

Although pork production in 2002 increased almost 3 percent to a record 19.67 billion pounds, lower beginning inventories and a much more cautious view of hog markets is likely to lead to lower production in 2003. Producers have indicated that they expect to farrow 2 percent fewer sows in the first half of the year. Although hog prices are forecast to rise during the year, it is unlikely that returns will be sufficient to trigger any inventory expansion before 2004. First quarter production is expected to be about 1 percent above 2002 as the last of the second half 2002 inventory expansion reaches market weight. In subsequent quarters, production is forecast to fall below last year despite a continued trend towards higher carcass weights. For all 2003, production is forecast to be 19.46 billion pounds, about 1 percent below last year.

Hog prices in 2002 averaged \$34.92 per cwt, below break even for much of the sector. Little relief is expected in the first quarter of 2003 as prices are expected to average \$34-36, about \$5 per cwt below first quarter 2002. However, as supplies of pork tighten, hog prices are forecast to increase to \$38-42 in the spring and summer quarters. Additional price support will likely come from reduced supplies of other meat, particularly beef. However, even in the face of high wholesale beef prices in the past several months, pork prices have increased very little. Retail prices in the first quarter are expected to be below last year, reflecting relatively large supplies of pork but then strengthen later in the year. In the fourth quarter, both live hog and retail prices are expected to decline from their seasonal peaks but remain above 2002. For the year, live hog prices will average \$37-\$39 per cwt and retail prices will average in the upper \$2.60's per pound range.

Pork exports rose about 4 percent in 2002 to an estimated 1.62 billion pounds carcass weight. Exports to Japan and Korea expanded while trade with Mexico and Russia was weaker. Despite lower U.S. production, some export growth is expected during 2003 as income growth in a number of key countries stimulates demand. However, in the case of Mexico, the forecast for U.S. exports is somewhat clouded. Mexico has instituted an anti-dumping investigation against U.S. pork. Although the investigation phase is still underway, preliminary findings may be announced as early as mid-July. The assessment of duties may have a depressing impact on pork exports. U.S. pork imports climbed about 15 percent as shipments from Canada reflected higher Canadian production. Higher pork prices in 2003 will help attract larger imports although the rate of growth will likely be tempered by slower growth in Canadian production as drought in 2001-2002 raised grain prices. Imports in 2003 are forecast to increase 2 percent to about 1.08 billion pounds.

## **Sheep and Lamb Inventory Decline Continues**

The inventory of all sheep and lamb fell in 2003 continuing the long downturn. On January 1, 2003 the sheep and lamb inventory totaled 6.35 million head, down 5 percent from 2002. The breeding sheep inventory also declined 5 percent from a year ago, compared with a 1 percent decline last year. Despite the ewe lamb retention program instituted as part of the Lamb Industry Improvement Initiative, drought in many sheep producing regions has forced continued liquidation. In 2003, commercial production of lamb and mutton is projected at 208 million pounds, down 5 percent from a year ago. Carcass weights declined from their highs in 2001 and may be slightly lower if grazing remains poor and grain prices remain relatively high.

Prices have begun the year quite strong and are forecast to average in the upper \$90's per cwt through the early April religious holidays. Thereafter, prices will likely decline seasonally, dropping to the low \$80's by the fourth quarter. However, for 2003, prices are forecast to average \$84-89 per cwt, \$14 above 2002.

In 2003, lamb and mutton imports are expected to total about 172 million pounds, up 6 percent. In 2002 imports rose about 12 percent. Strong U.S. prices will likely encourage increased imports from Australia and New Zealand.

## **Broiler Producers Scale Back**

Broiler producers began 2002 following through on an increasing pace of expansion begun in late 2001. Production in the first 3 quarters of 2002 averaged 4 percent growth, but weakening prices in the face of large supplies of total meat and trade disruptions beginning in April forced a scaling back of production in the fourth quarter. Production in the first 2 quarters of 2003 are expected to decline, the first two-quarter decline in Federally Inspected broiler production since 1975. Broiler production in 2002 rose 3.3 percent to 32.3 billion pounds on the basis of both higher slaughter levels (up 1.6 percent) and heavier weights (up 1 percent). However, gains were tempered by a slowdown in production in the last quarter. Beginning in August, eggs set and chicks placed data pointed to a sustained decline in production as producers began to respond to an extended period of lower prices.

From August through December, weekly eggs set averaged 2 percent below 2001. As a result, during the fourth quarter, the number of birds processed was down 0.2 percent although an increase of 1.6 percent in average slaughter weights supported a small increase in broiler meat production. With continued weakness in prices, the decline in eggs set has extended into its 27<sup>th</sup> week. Thus, production in the first and second quarters of 2003 are expected to be about 1 percent below 2002. However, prices are forecast to begin to recover as stocks are drawn down and fresh supplies tighten. With a return to steady export movement, producers may see incentives to expand production beginning in the latter part of the second quarter. This is expected to lead to a 1-2 percent increase in second half production. For the year, production will likely increase less than 1 percent, the slowest rate of growth since the early 1970's.

Broiler prices in 2002 were depressed as large supplies of broiler meat were forced on the domestic market to compete with increased pork and beef production. The 12 City broiler price averaged 55.6 cents per pound, their lowest level in 10 years. However, as stocks are drawn down, prices are expected to recover steadily through the year. Prices in the first half are likely to increase 7 percent, averaging 58-62 cents per pound and remain close to that level for the year. For 2003, broiler prices are expected to average 58-62 cents per pound.

Disruptions in trade were an important factor in the increase of domestic supplies in 2002. Total exports declined from 5.56 billion pounds in 2001 to an estimated 4.87 billion pounds in 2002. Extended trade issues with Russia caused the biggest decline in exports. Exports to Russia through November during the year fell an estimated 31 percent due to a temporary ban in March and further disruptions caused by restrictive import licensing procedures. However, Russia was not the only market where exports declined. Exports to most major markets fell as disease outbreaks in various flocks at various times led to bans on trade from certain States. As a result, stocks of poultry, particularly dark meat built up and kept parts prices lower than a year earlier. In 2003, several issues have arisen which continue to cloud the outlook for broilers.

Russia has recently indicated that it will place a quota on poultry imports starting around May 1<sup>st</sup>. The quota is expected to be 744,000 metric tons (1.64 billion pounds), with 553,500 metric tons (1.22 billion pounds) allocated to the United States. Over the 8-month period this would average out to 152.5 million pounds a month. This is almost 40 million pounds a month less than in 2001, when the U.S. exported a record 2.3 billion pounds of broiler products to Russia. Furthermore, Russia is in the process of certifying which U.S. poultry processing plants will be allowed to continue to export to Russia. Russia has stated that before June 1, all plants that want to export to Russia should be re-inspected and approved by Russian veterinarians. USDA and Russian veterinarians continue to negotiate the terms of the inspections after Russia failed many plants in the first round of inspections. To date, only a small number of plants have passed this certification process and no new plant inspections are currently scheduled..

As of January 1, 2003, according to the NAFTA, all quotas and tariffs on poultry products entering Mexico were phased out. However, the United States agreed to Mexico's introduction of a provisional safeguard on chicken parts imports under NAFTA. The provisional safeguard establishes a tariff rate quota and allows duty free imports of chicken legs quarters, thighs, and drumsticks up to 50,000 tons during the next 6 months. Additional imports of these products in this 6-month period will be subject to a 98.8 percent tariff, which was the 2001 tariff level. Presently, there has not been an official announcement about quota levels after the initial 6 months.

Currently there are ongoing discussions with the Chinese government regarding changes in poultry labeling requirements. China insists on labels printed directly on shipping cartons and plastic inner liners. China has placed a deadline of April 1, 2003 on this new requirement after which shipments without the correct labeling will be refused entry.

Nonetheless, it is expected that there will be some opportunities for growth in broiler exports. Russia's quota, if applied entirely to broilers, is almost 20 million pounds above average shipments to Russia

during the first 11 months of 2002. The Mexican TRQ is well above historic levels of leg quarter exports to that country and there are no tariff constraints on exports of other poultry products. Lastly, USDA continues to negotiate with the Chinese over the labeling issue. Broiler exports in 2003 are forecast to increase to 5.25 billion pounds, 8 percent above 2002 although below 2001's record 5.56 billion pounds.

### **Turkey Production About Unchanged, Prices Slightly Higher**

Weak returns to turkey producers in 2002 are expected to lead to slower growth in 2003 turkey production. Turkey production in 2002 increased 3 percent to 5.7 billion pounds, despite disease related slaughter and weakening returns. Although over 4 million birds were slaughtered due to an outbreak of Avian Influenza in the mid-Atlantic region in April 2002, production growth in the first 2 quarters averaged 4 percent. However, as turkey prices softened and grain prices rose, returns were squeezed and producers began to cut back on production. Third and fourth quarter 2002 production increased about 1 percent and production in the first quarter of 2003 is forecast to be about 1 percent below year earlier. As stocks are worked down, prices are expected to firm and production by mid-year should be about 1 percent higher than last year. However, relatively large supplies and weak exports are likely to moderate prices and keep production for the year at about 5.73 billion pounds, about equal to last year. Eastern Region Hen prices are forecast to average 65-69 cents per pound in 2003, about 2 cents above 2002.

Turkey exports dropped sharply in 2002 as disease outbreaks and disputes with Russia limited trade. Exports to Mexico, the U.S.'s largest market, fell 13 percent through November and exports to Russia were less than half last year's level. However, a doubling of exports to Hong Kong helped mitigate some of the decline. Total turkey exports in 2003 are forecast to rise 5-6 percent, and will be driven primarily by shipments to Mexico. Exports to Russia will likely be tempered by the policy change in the global poultry quota, due to be instituted in early May. If importers choose to focus on importing broiler legs, turkey exports to Russia may drop further.

### **Egg Production Flat, Prices Higher**

Egg production in 2003 is forecast to be about unchanged as returns remain weak. Although outbreaks of Exotic Newcastle Disease (END) have resulted in quarantines and destruction of birds in California, Nevada, and Arizona, thus far the impact on national egg production has been limited. Table egg production is forecast to be about unchanged at 6.16 billion dozen in 2003, and hatching production is also about unchanged at 1.07 billion dozen. Hatching use is expected to dip in the first half of 2003 as broiler production falls but will increase later in the year. Eggs broken are expected to increase in 2003 as consumption of eggs as ingredients in products continues to increase and the food service sector uses more pasteurized egg products. Egg prices are forecast to strengthen in 2003, rising to the highest level since 1998. Prices for the year are forecast to average 70-75 cents per dozen.

# **The Outlook for the U.S. Livestock and Poultry Sector**

**USDA Outlook Forum  
Washington, D.C.  
February 21, 2003**

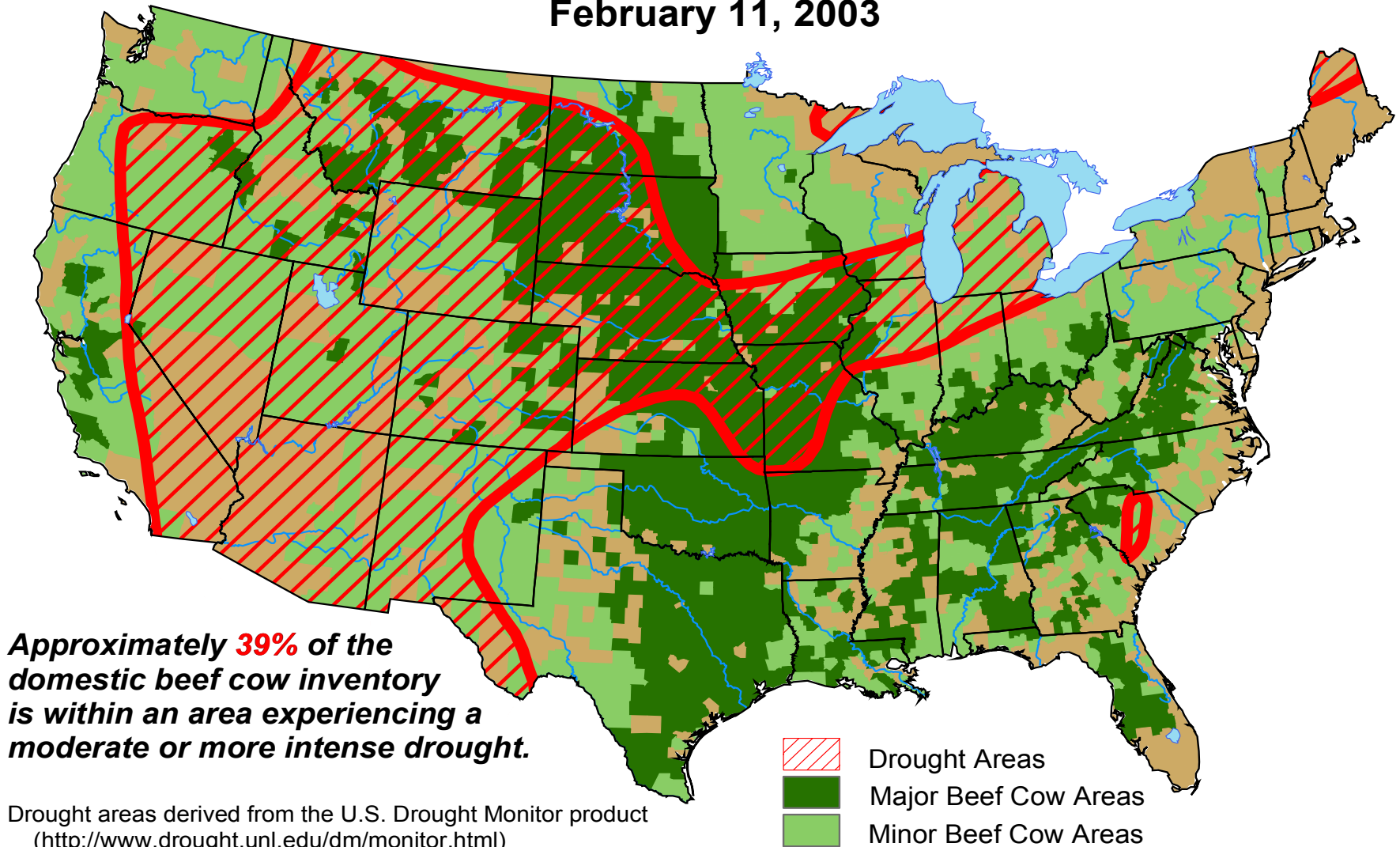


# Some Key Factors to Watch This Year

- Feed costs are expected to remain relatively high.
- Forage supplies are currently stressed
  - Hay stocks are low.
  - Drought is extending.

# U.S. Beef Cow Areas Experiencing Drought

February 11, 2003



World Agricultural Outlook Board

# **Some Key Factors to Watch This Year**

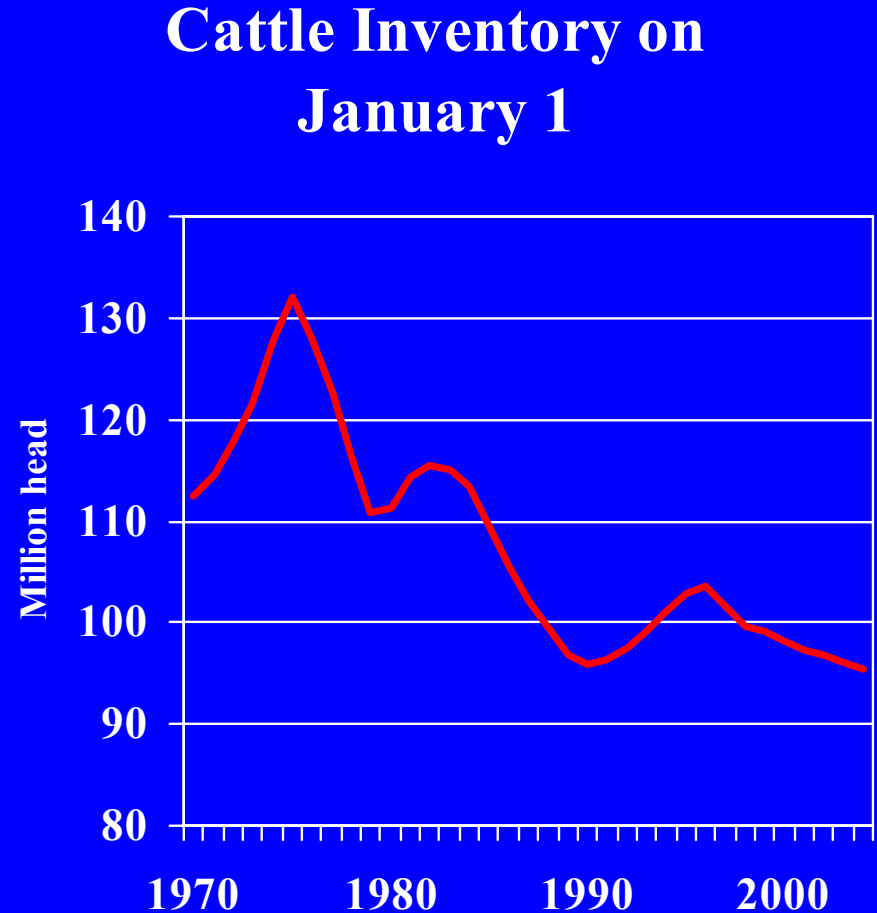
- **Feed costs are expected to remain relatively high.**
- **Forage supplies are currently stressed.**
  - Hay stocks are low.
  - Drought is extending.
- **Food safety and health issues will gain increasing importance among U.S. and foreign consumers.**
- **Country of Origin Labeling requirements could affect producer decisions in 2003.**
  - Final regulations not completed yet.
  - Animal biology requires lead times.

# Meat Production To Decline in 2003

- Red meat production to fall 2-3 percent.
  - Beef declines 4-5 percent.
  - Pork falls 1-2 percent.
  - Lamb and mutton falls 5 percent
- Poultry production virtually unchanged.
  - Broiler meat increases less than 1 percent.
  - Turkey about unchanged.

# Cattle Liquidation Extends into 2003

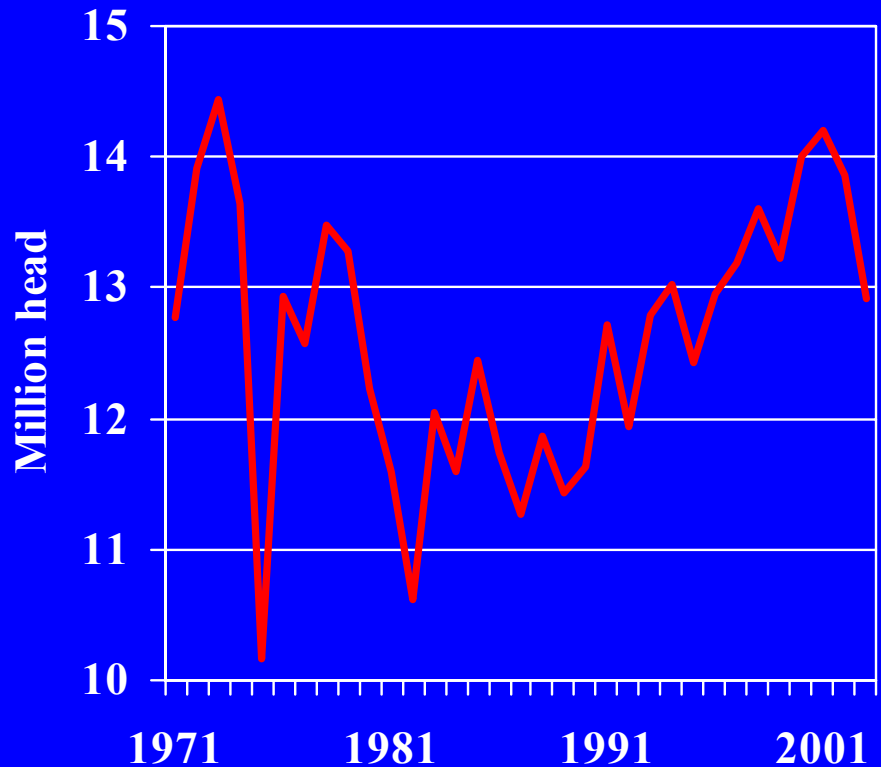
- **January 1, 2003 cattle inventory declined 1 percent to 96.1 million head.**
- **Inventory to fall below 95.5 million by end of 2003.**
- **Upturn in January inventory is not likely until 2006.**



# Indications of Beef Production Declines Ahead

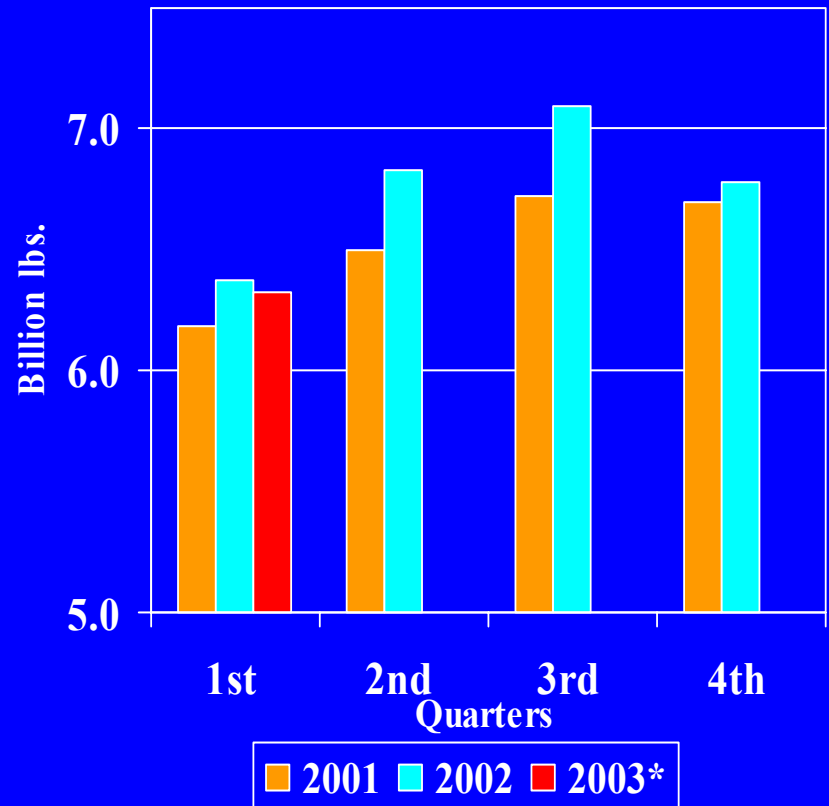
- **January 1, 2003 U.S. total cattle on feed number fell to 12.9 million head.**
- **Producers are planning to hold back more heifers**
  - Beef heifers intended for replacement 1 percent higher.
  - Beef heifers expected to calve up 3 percent.

**US Total Cattle on Feed**



# Beef Production in 2003 to Fall to 25.9 Billion Pounds

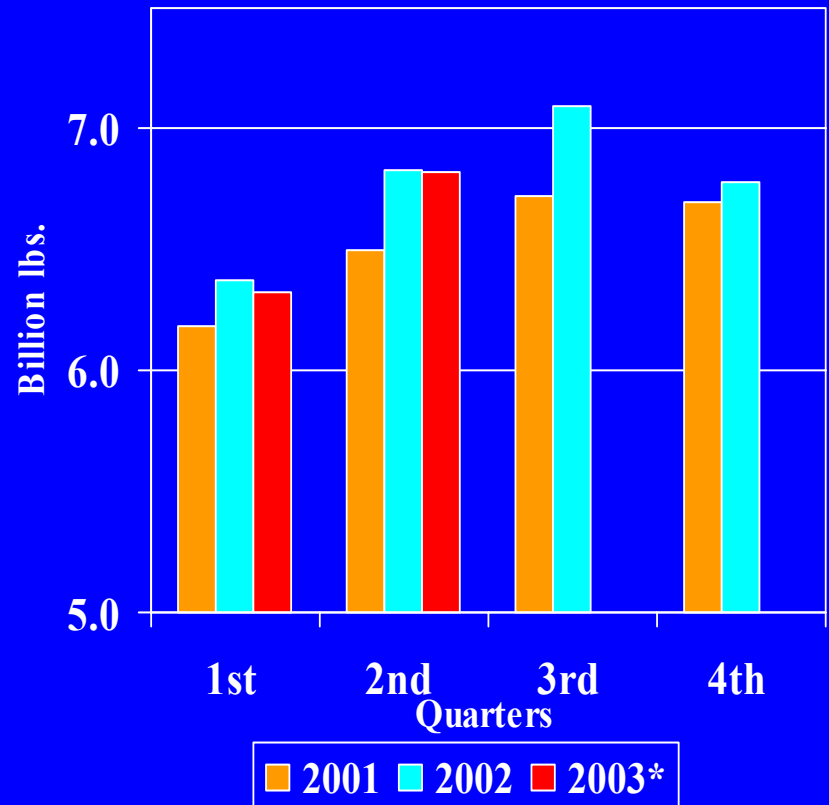
- **First quarter production falls below year earlier.**
  - Decline mitigated by relatively high cow slaughter.



\*Forecast

# Beef Production in 2003 to Fall to 25.9 Billion Pounds

- **First quarter production falls below year earlier.**
  - Decline mitigated by relatively high cow slaughter.
- **Second quarter production flattens out.**
  - Late 2002 placements marketed.
  - Cow slaughter remains relatively large.

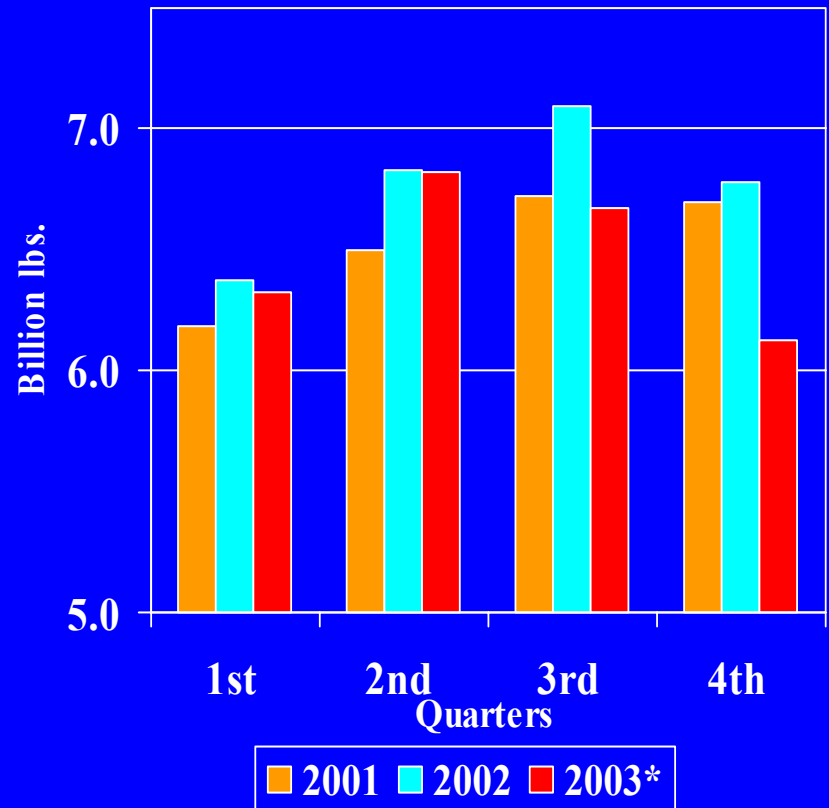


\*Forecast



# Beef Production in 2003 to Fall to 25.9 Billion Pounds

- **First quarter production falls below year earlier.**
  - Decline mitigated by relatively high cow slaughter.
- **Second quarter production flattens out.**
  - Late 2002 placements marketed
  - Cow slaughter remains relatively large.
- **Third and fourth quarter production drops sharply.**
  - Lower on-feed inventories.
  - Breeding herd retention.

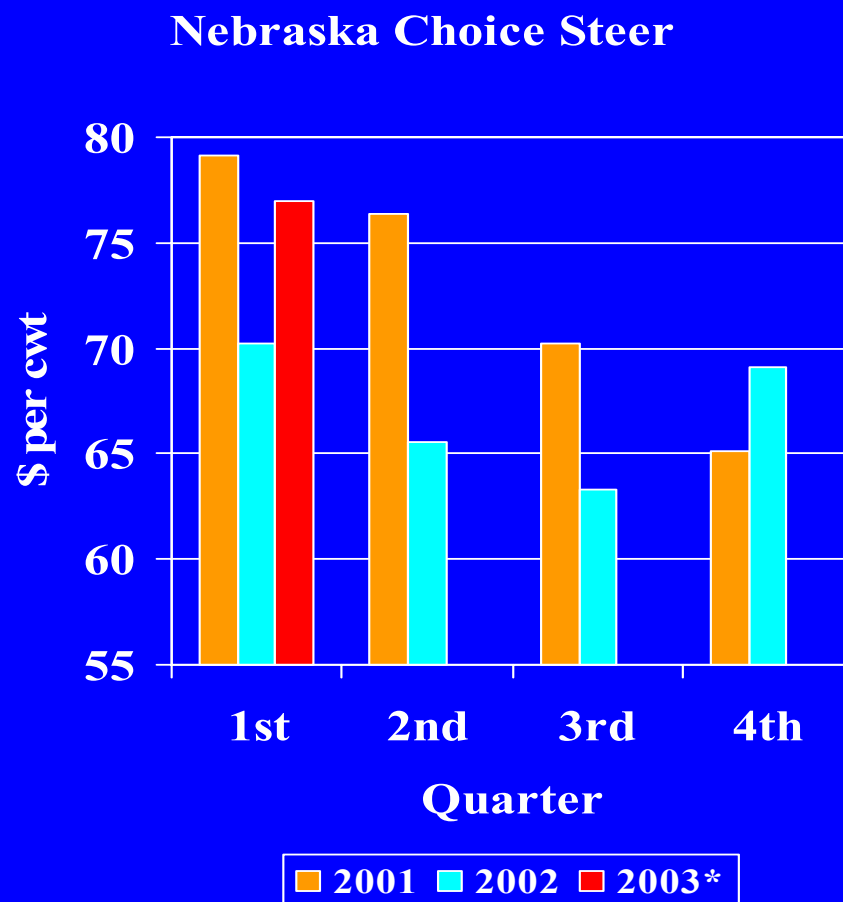


\*Forecast

# Cattle Prices Will Average \$73-77 per cwt

Tightening supplies will lift cattle prices.

- **First quarter will average \$75-78.**
  - Prices may have peaked early on weather concerns.

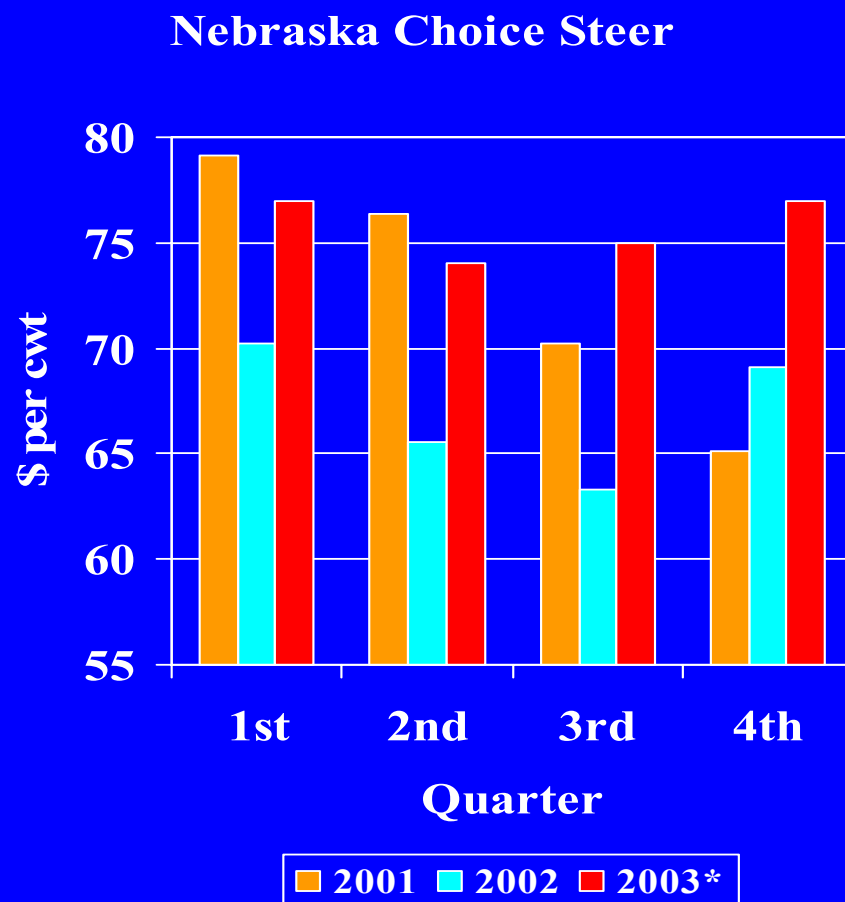


\*Forecast

# Cattle Prices Will Average \$73-77 per cwt

Tightening supplies will lift cattle prices.

- **First quarter will average \$75-78.**
  - Prices may have peaked early on weather concerns.
- **Remaining quarters may see prices \$9-12 higher than year earlier.**
  - Beef supplies lower.
  - Other meat supplies tight.

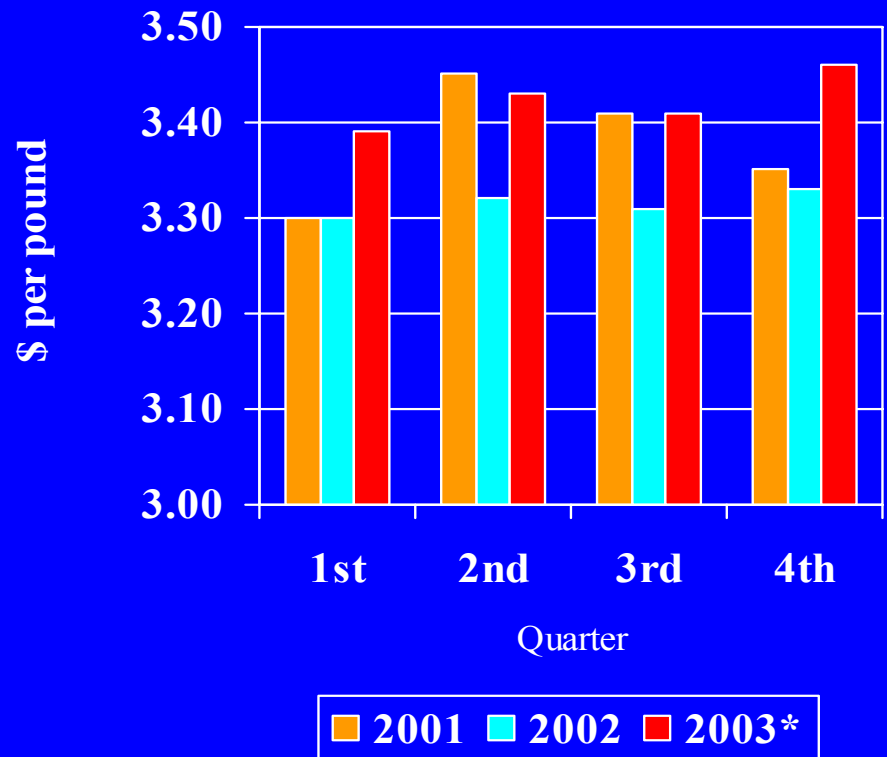


\*Forecast

# Retail Beef Prices Will Reach Record Levels

- Consumer demand for Choice beef has remained relatively firm.
- Average retail beef prices are expected to exceed 2002 in each quarter.
- Fourth quarter prices could exceed records of spring 2001 as supplies are tightest.

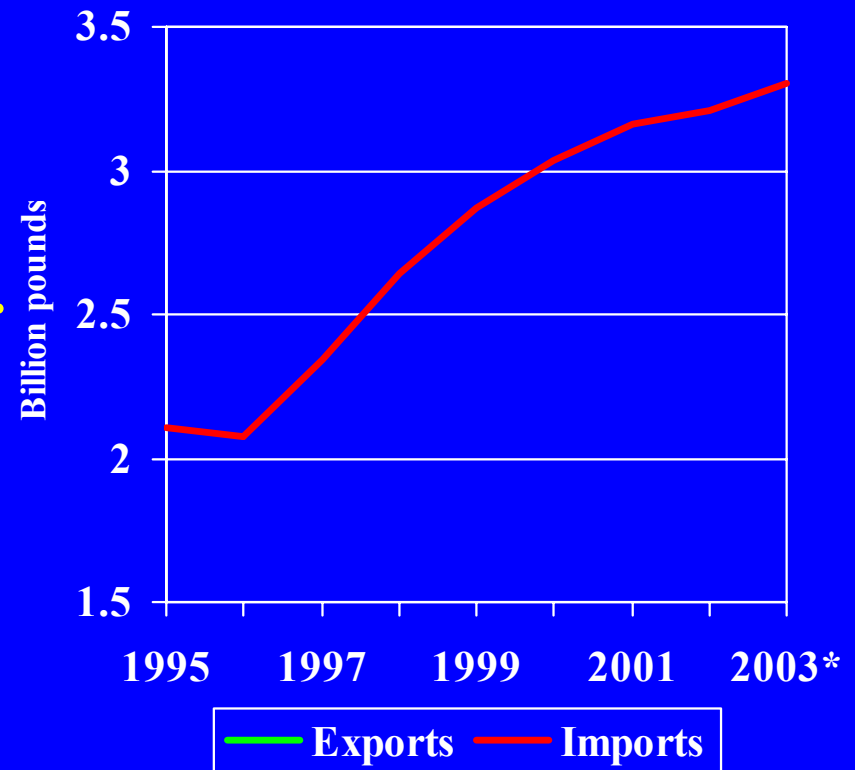
ERS Retail Choice Beef Price



\*Estimated

# Beef Trade to Rise Slightly in 2003

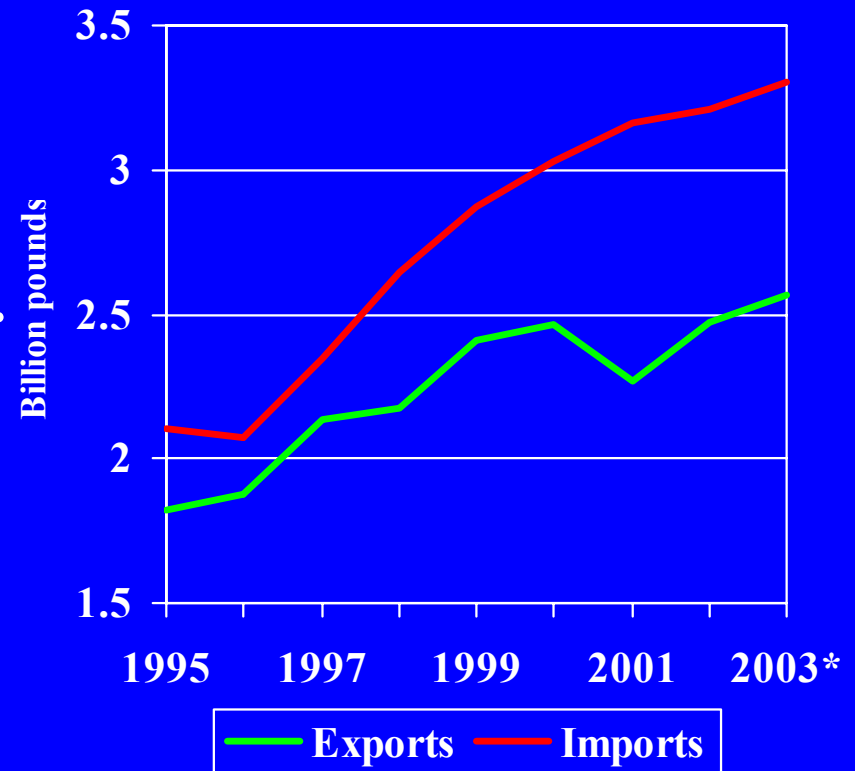
- Beef imports in 2002 reached record 3.2 billion pounds.
- 2003 imports will increase 3 percent to 3.3 billion pounds.



\*Forecast

# Beef Trade to Rise Slightly in 2003

- Beef imports in 2002 reached record 3.2 billion pounds.
- 2003 imports will increase 3 percent to 3.3 billion pounds.
- Beef exports reached 2.5 billion pounds in 2002.
- 2003 exports are forecast to increase about 3-4 percent to 2.6 billion pounds.

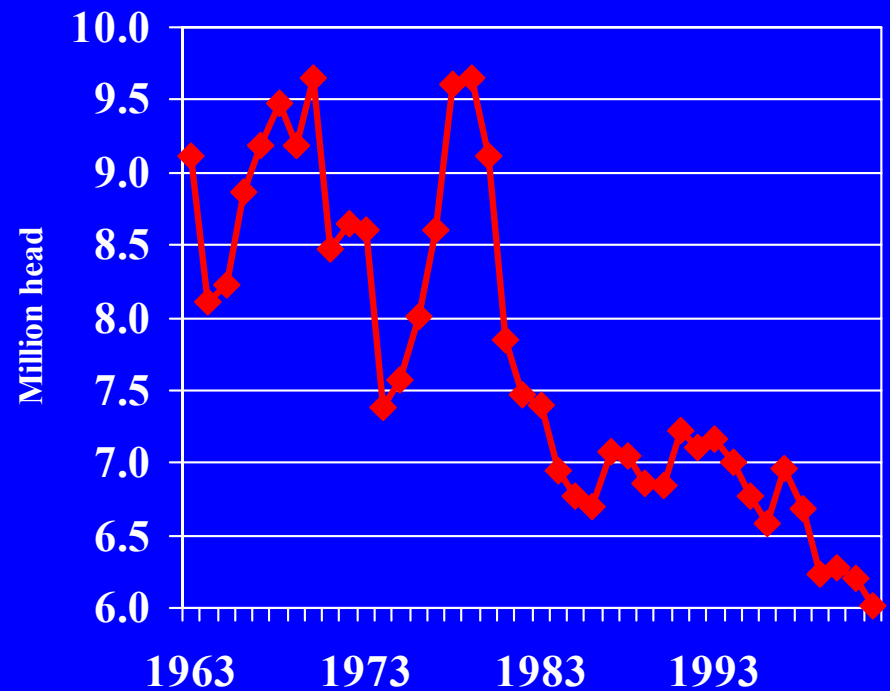


\*Forecast

# Pork Production Set to Decline in 2003

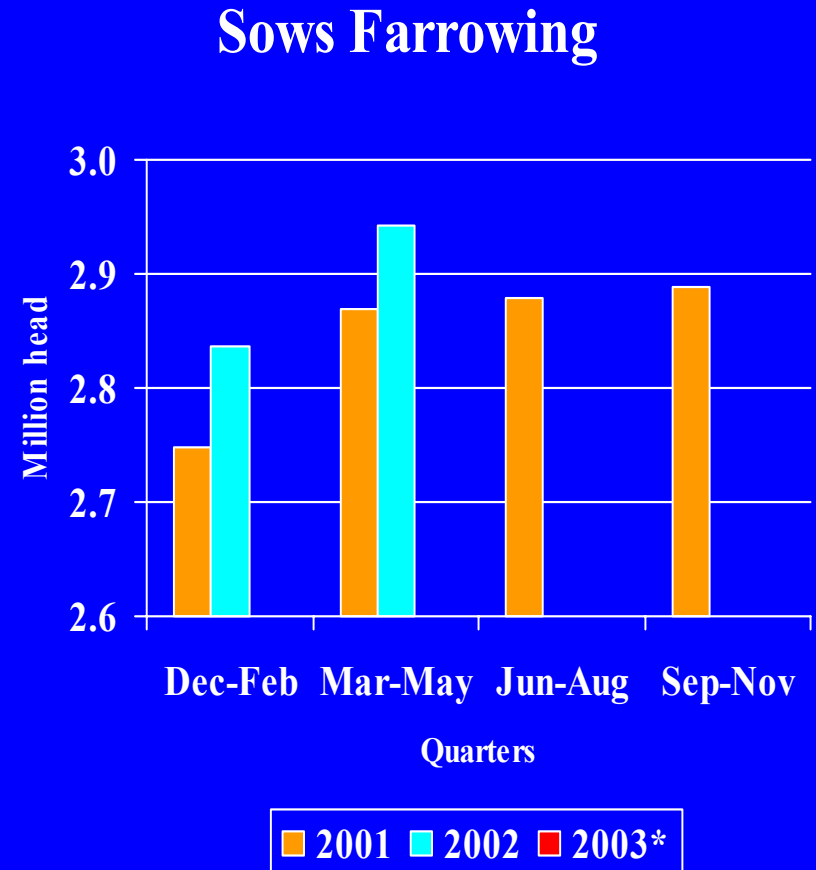
- The December 1, 2002 inventory of pigs kept for breeding fell 3 percent to 6.0 million head after increasing in first half 2002.

## Pigs Kept for Breeding - U.S.



# Pork Production Increase Halted Abruptly

- Producers farrowed 3 percent more sows in first half of 2002.

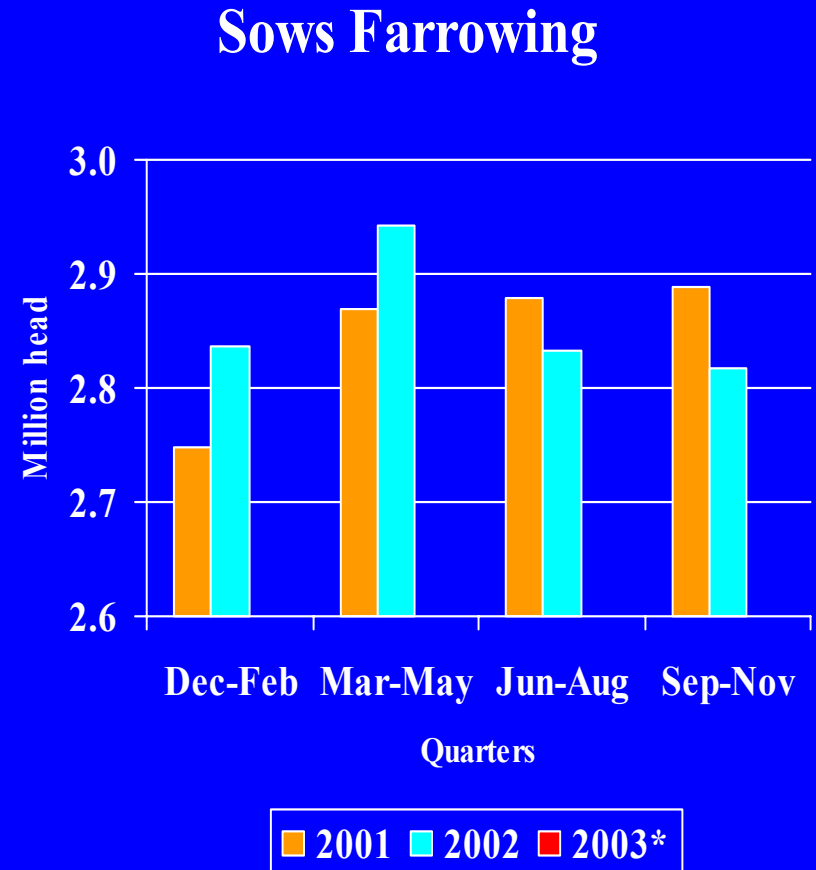


\*Intentions/Forecast



# Pork Production Increase Halted Abruptly

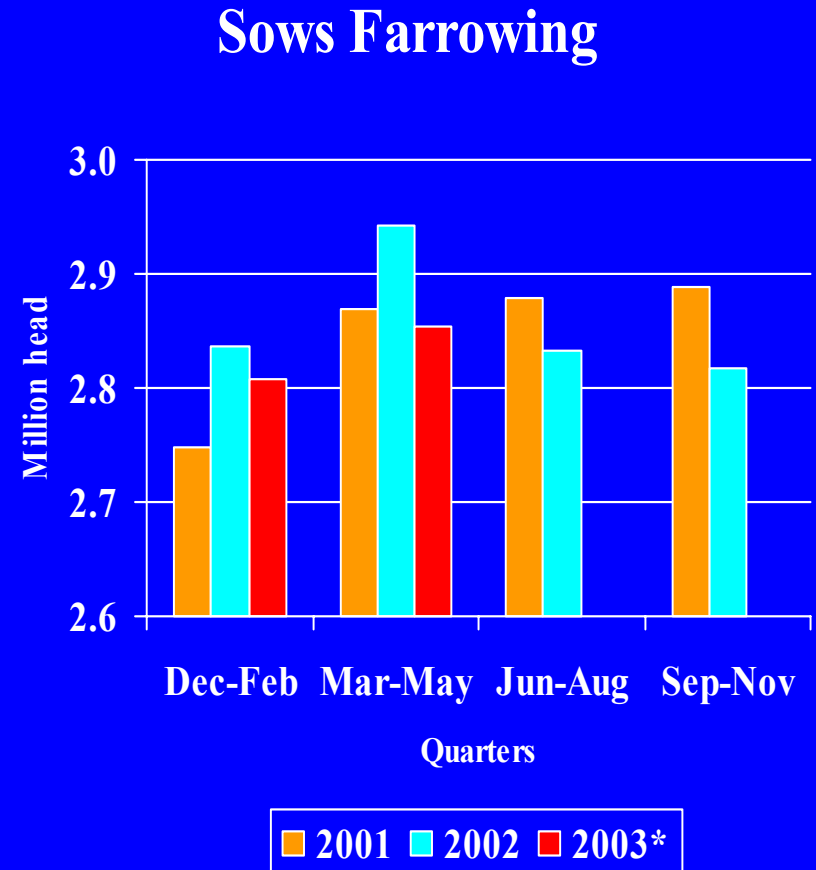
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.



\*Intentions/Forecast

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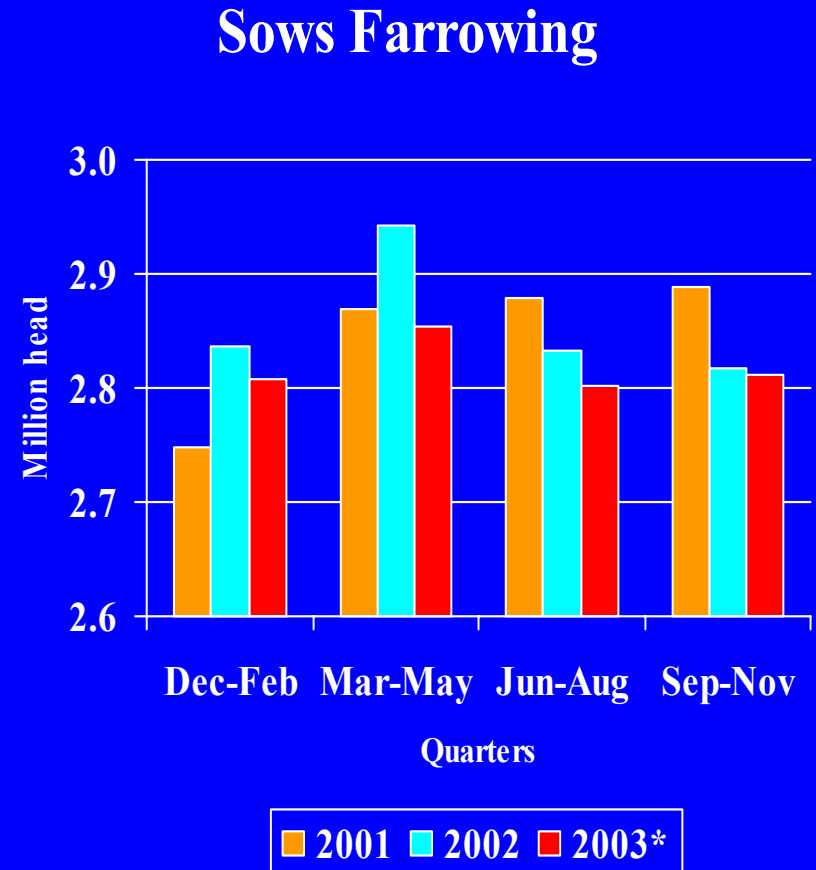
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.
- **First half 2003 intentions down 1.5 percent.**



\*Intentions/Forecast

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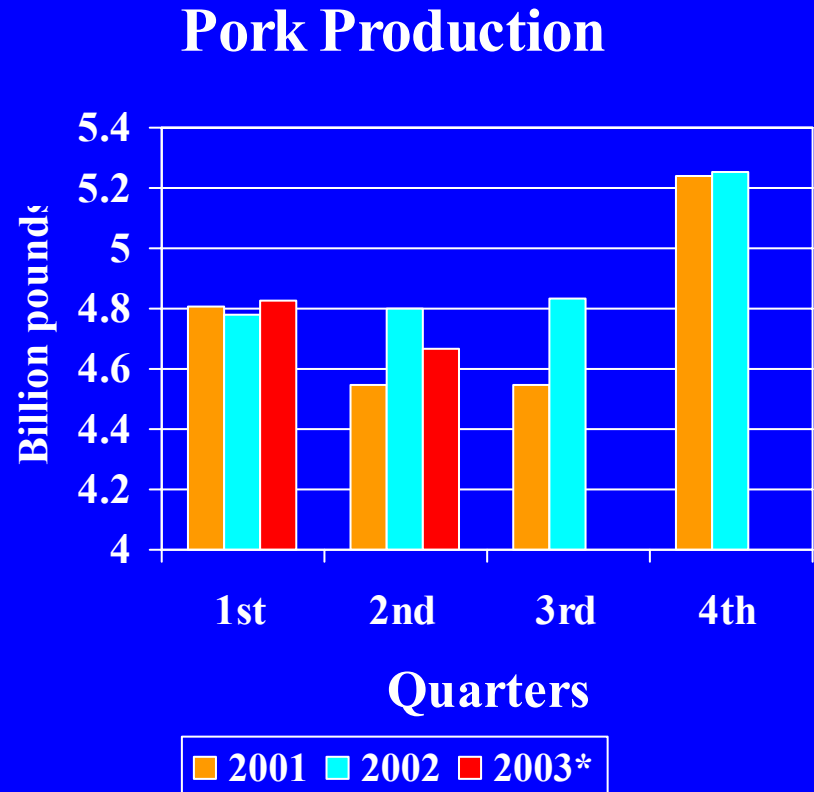
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.
- First half 2003 intentions down 1.5 percent.
  - **Expansion unlikely before 2004.**



\*Intentions/Forecast

# Pork Production Expected to Fall From 2002 Record

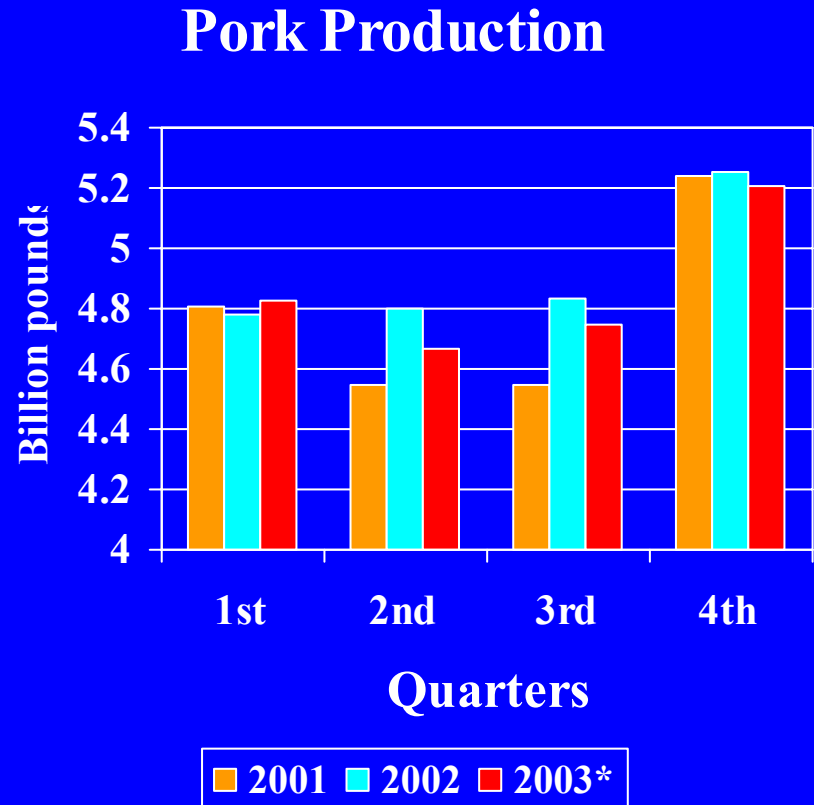
- 2002 production was a record 19.7 billion pounds.
- 2003 production is forecast to decline 1-2 percent to 19.5 billion pounds in 2003.
- **First half production down 1 percent as production exceeds year earlier in first quarter.**



\*Forecast

# Pork Production Expected to Fall From 2002 Record

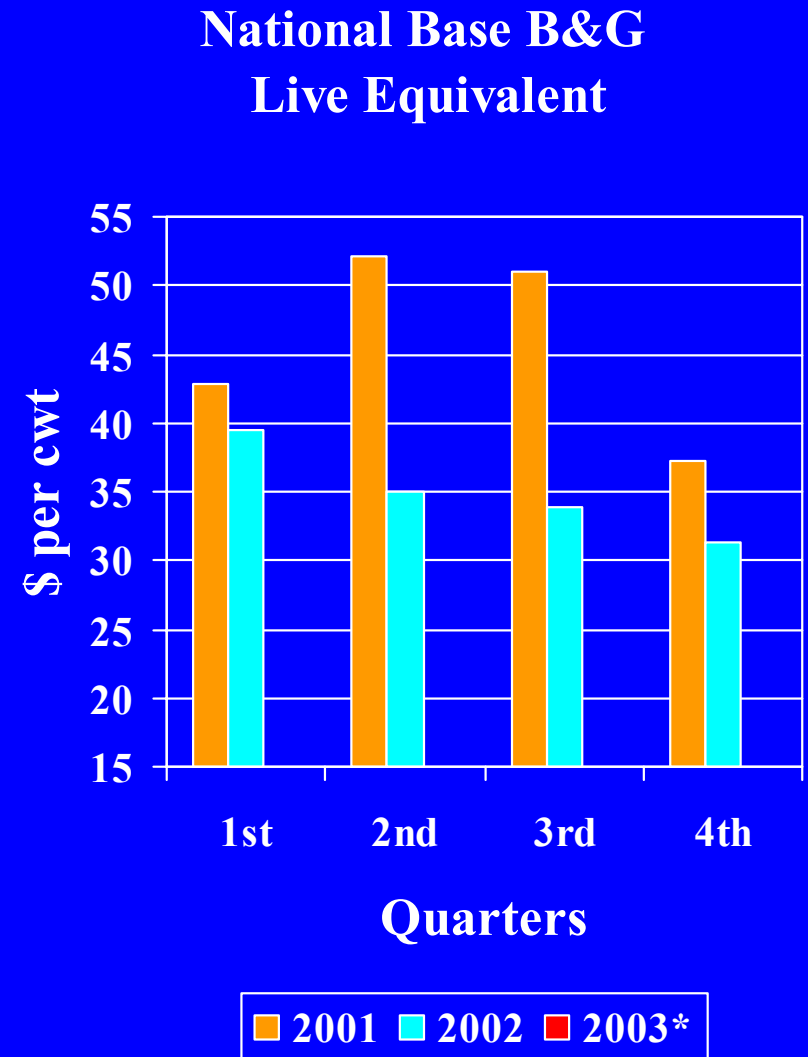
- 2002 production was a record 19.7 billion pounds.
- 2003 production is forecast to decline 1-2 percent to 19.5 billion pounds in 2003.
- First half production down 1 percent as production exceeds year earlier in first quarter.
- **Second half production down 1-2 percent.**
  - Lower slaughter partly offset by higher weights.



\*Forecast

# Hog Prices Slightly Higher in 2003

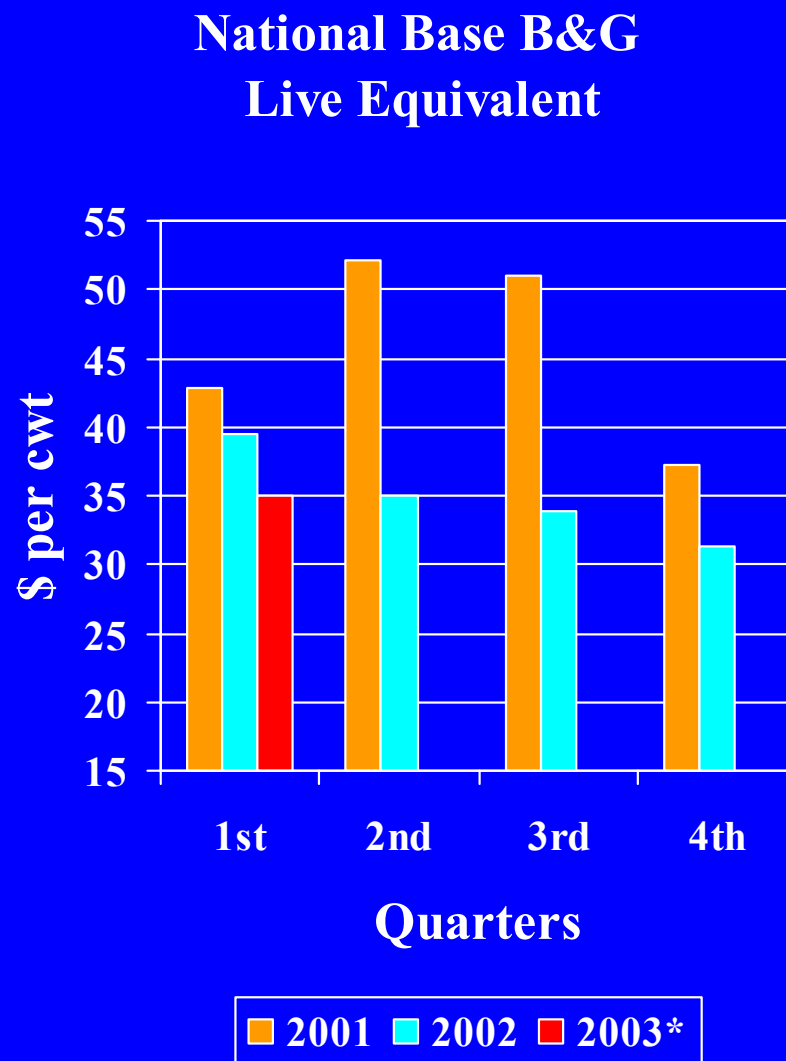
- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.



\*Forecast

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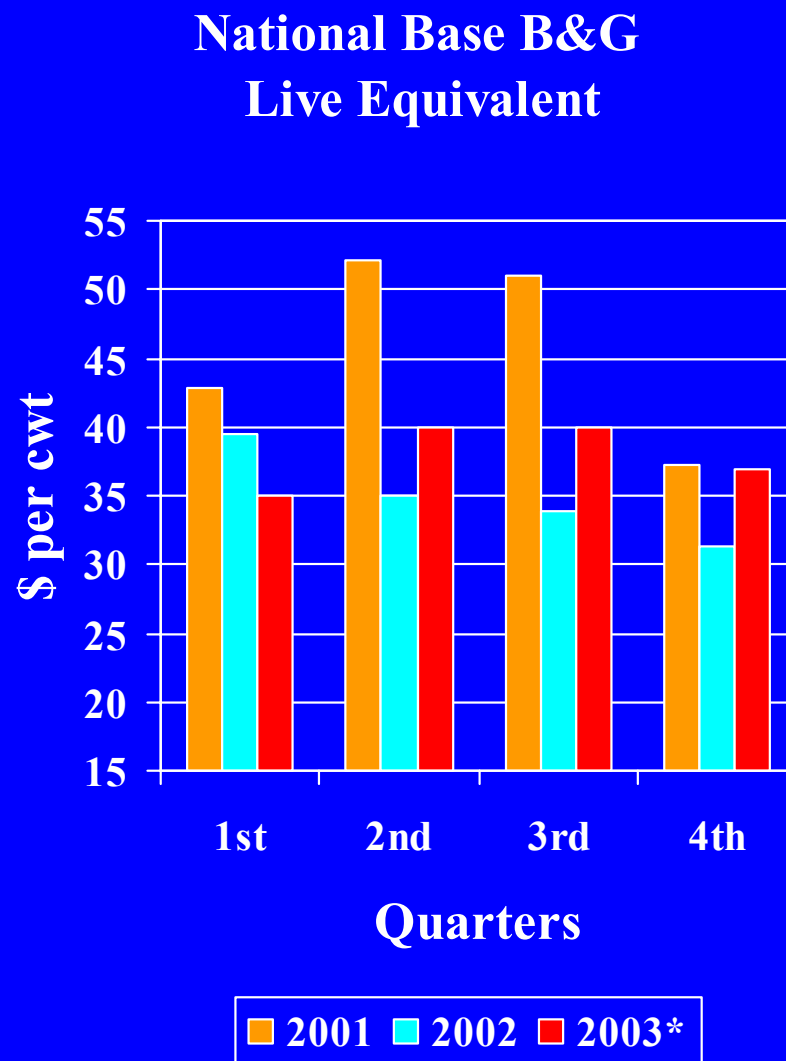
- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.
- First quarter 2003 price expected to decline to \$34-36 per cwt.



\*Forecast

# Hog Prices Slightly Higher in 2003

- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.
- First quarter 2003 prices expected to decline to \$39-41 per cwt.
- Remaining quarters will average \$40 before declining seasonally.

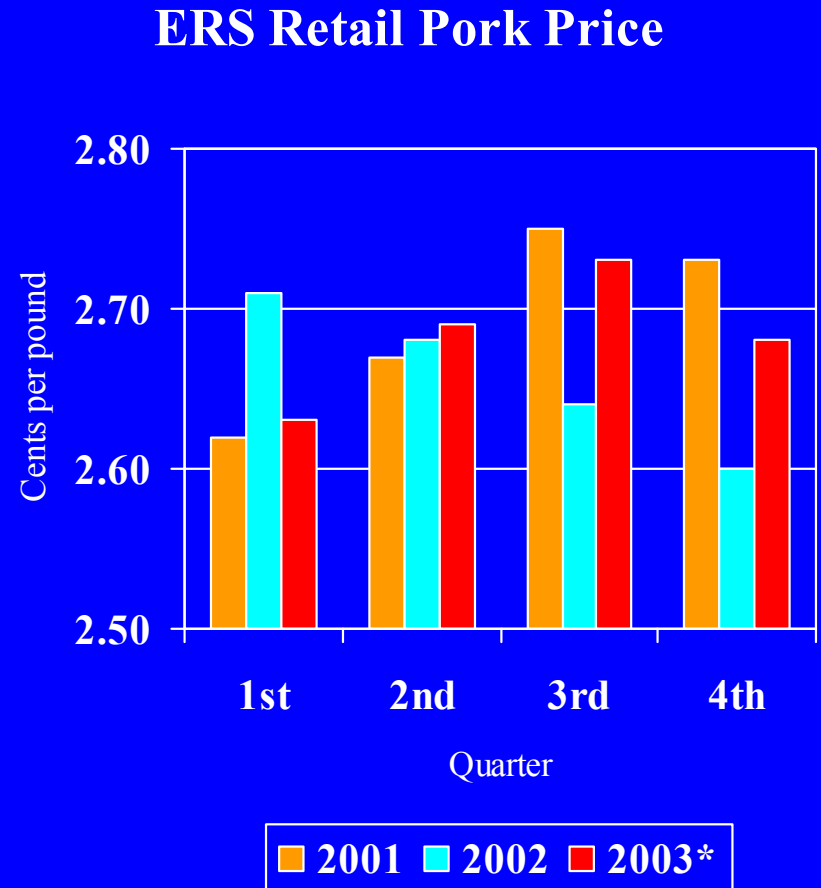


\*Forecast



# Higher Retail Pork Prices in 2003

- Retail prices are expected to be above last year's level of \$2.66 per pound but just below 2001's record.
- There has been surprising wholesale weakness despite high beef prices.
- Tighter red meat will likely help support pork prices.

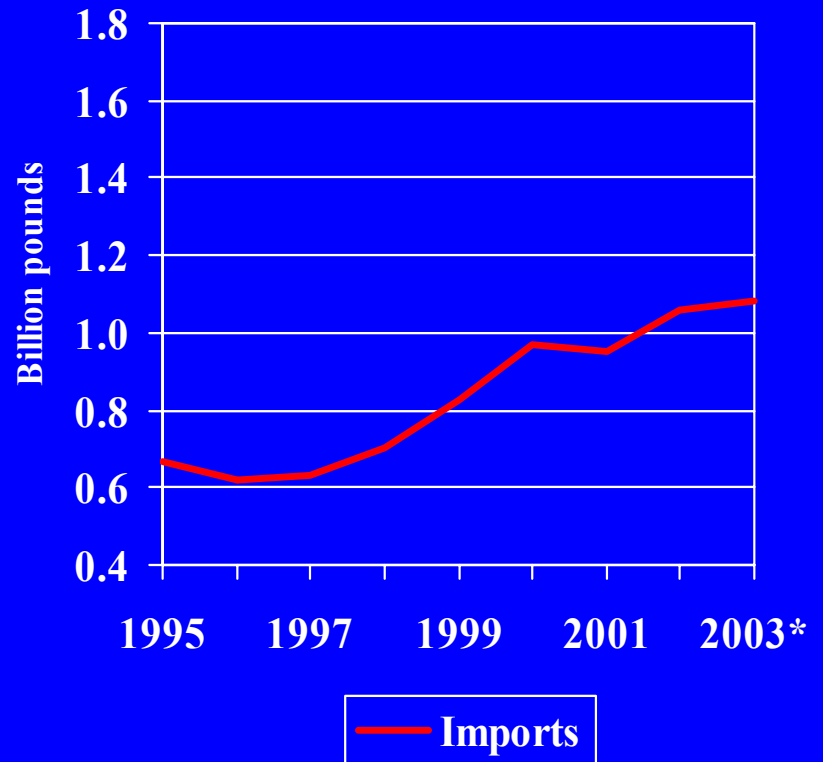


\*Estimate

# Pork Imports At Record Levels

- Pork imports in 2002 reached a record 1.07 billion pounds.
- Imports forecast to increase more slowly, to 1.08 billion pounds as Canadian production expected to slow.

## Pork Trade

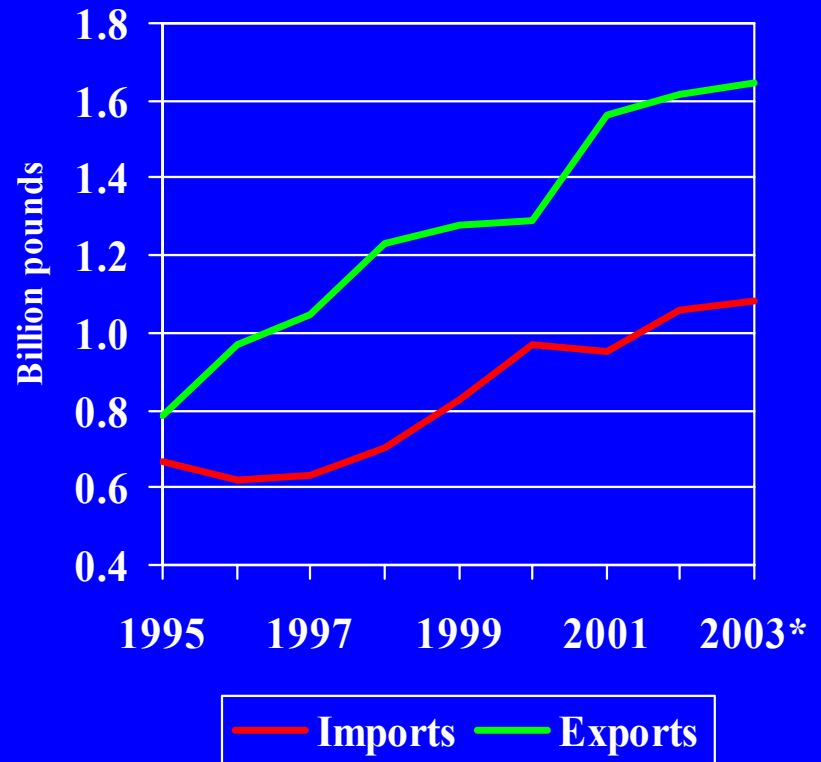


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- Pork imports in 2002 reached a record 1.07 billion pounds.
- Imports forecast to increase more slowly, to 1.08 billion pounds as Canadian production expected to slow.
- **Pork exports are forecast to rise slightly above the record 1.61 billion pounds shipped in 2002.**
- **Shipments expected to remain strong to Japan and Mexico.**

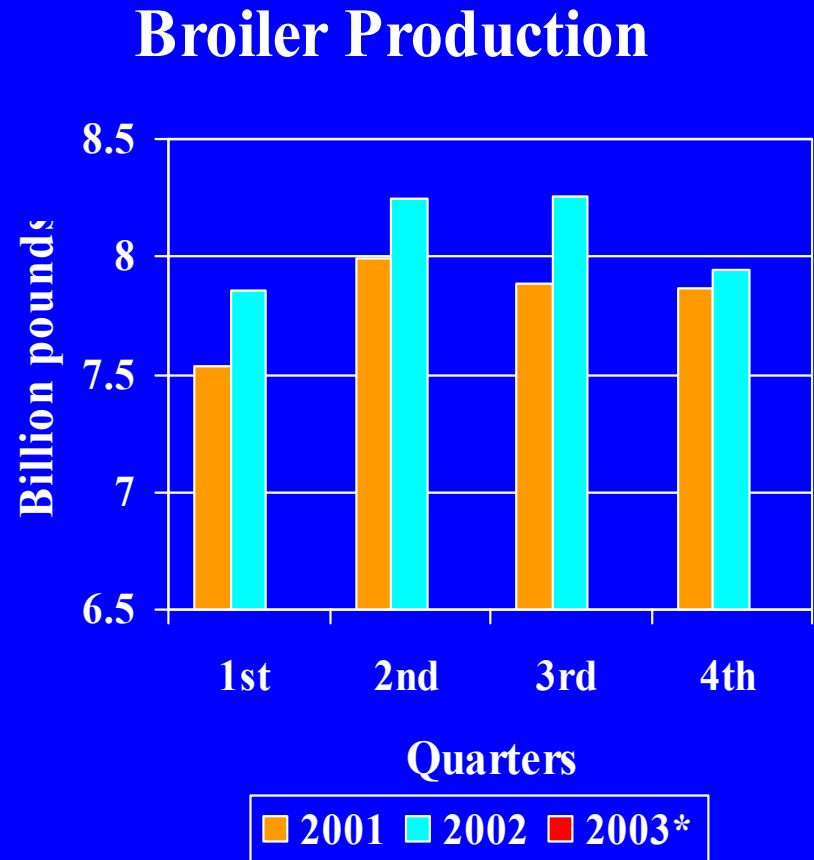
## Pork Trade



\*Forecast

# 2003 Broiler Production Growth Will Be Slowest Since Early 1970's

- 2002 production rose 3.3 percent to 32.3 billion pounds.
  - Weak broiler prices and higher grain prices discouraged fourth quarter production.

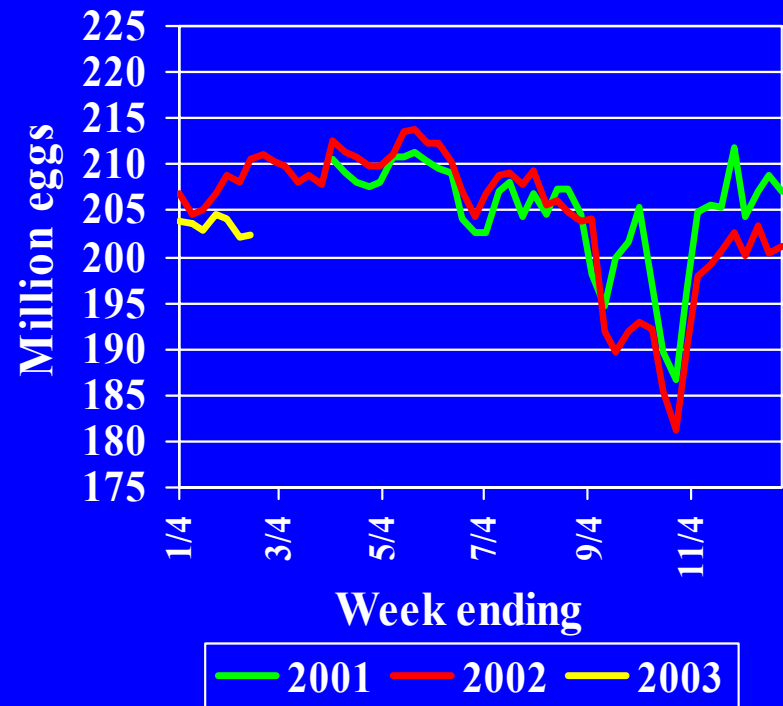


\*Forecast

# 2003 Broiler Production Growth Will Be Slowest Since Early 1970's

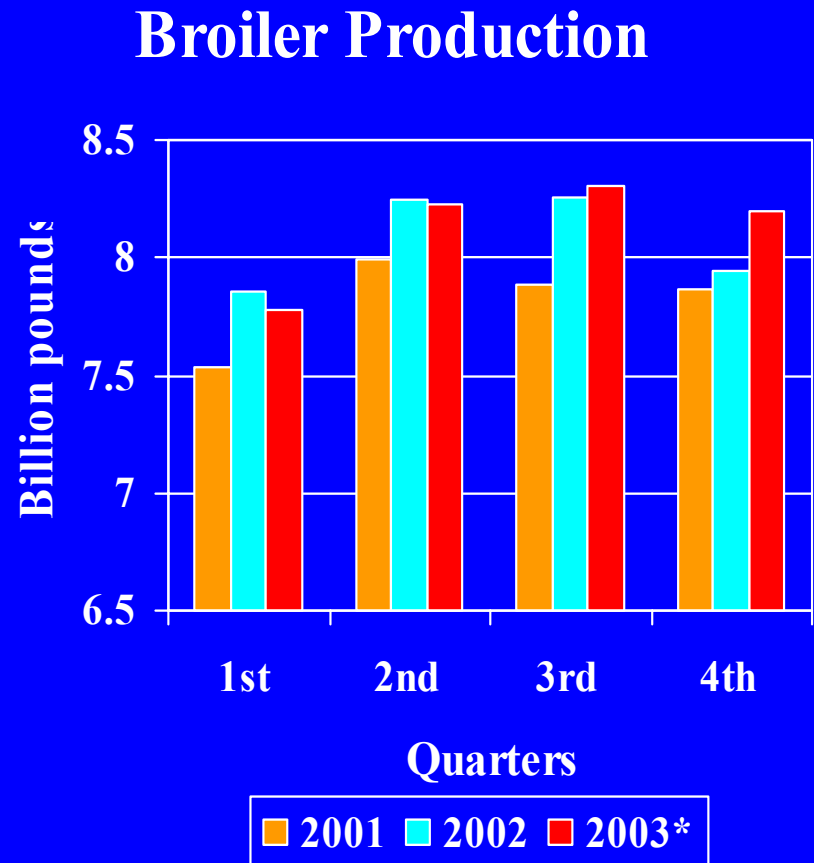
- 2002 production rose 3.3 percent to 32.3 billion pounds.
  - Weak broiler prices and higher grain prices discouraged fourth quarter production.
- Eggs set below year earlier since August.

## 19 State Eggs Set



# 2003 Broiler Production Growth Will Be Slowest Since Early 1970's

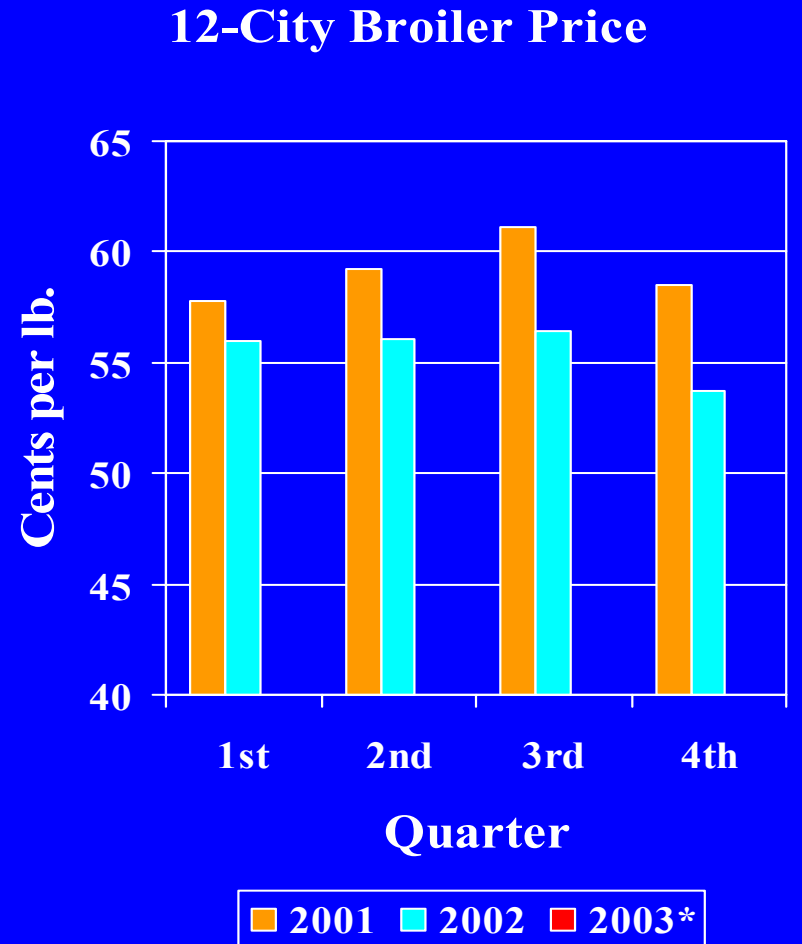
- 2002 production rose 3.3 percent to 32.3 billion pounds.
  - Weak broiler prices and higher grain prices discouraged fourth quarter production.
- Egg sets below year earlier since August.
- 2003 production will be 32.5 billion pounds.
  - Weight gains partly offsetting slaughter declines.
  - Price recovery may stimulate increased second half production.



\*Forecast

# Broiler Prices to Increase Slightly in 2003

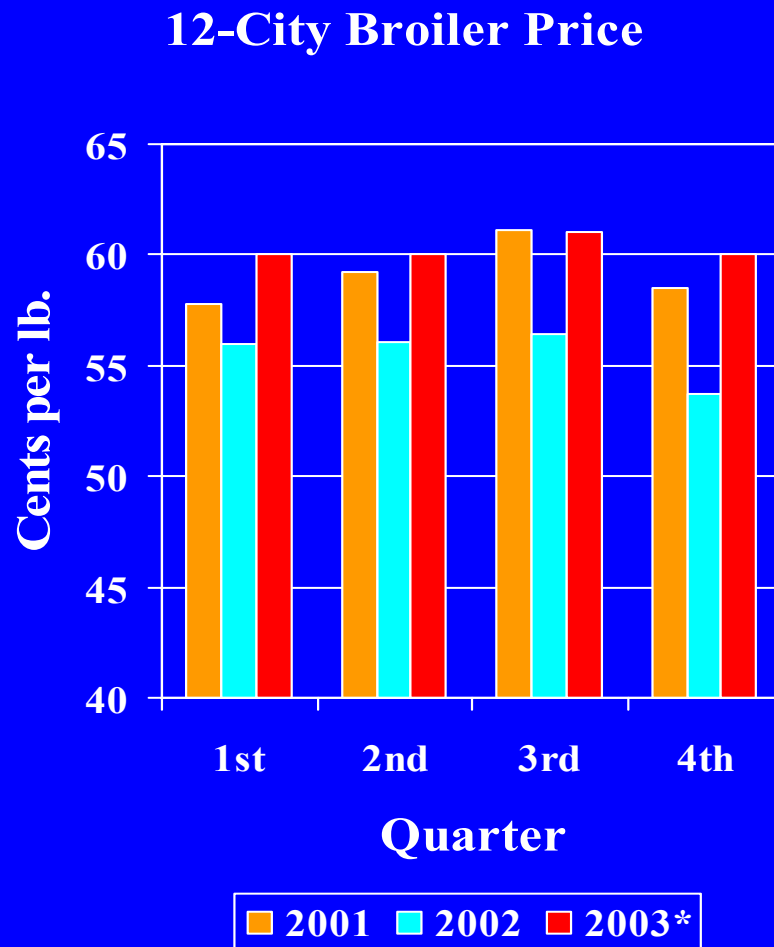
- Broiler prices declined about 3.5 cents per pound in 2002 as movement was sluggish and stocks built.



\*Forecast

# Broiler Prices to Increase Slightly in 2003

- Broiler prices declined about 3.5 cents per pound in 2002 as movement was sluggish and stocks built.
- Lower first half production is forecast to lift prices.
  - Additional support from lower red meat production in the second half.
- Prices in 2003 are forecast to average 58-62 cents per pound.



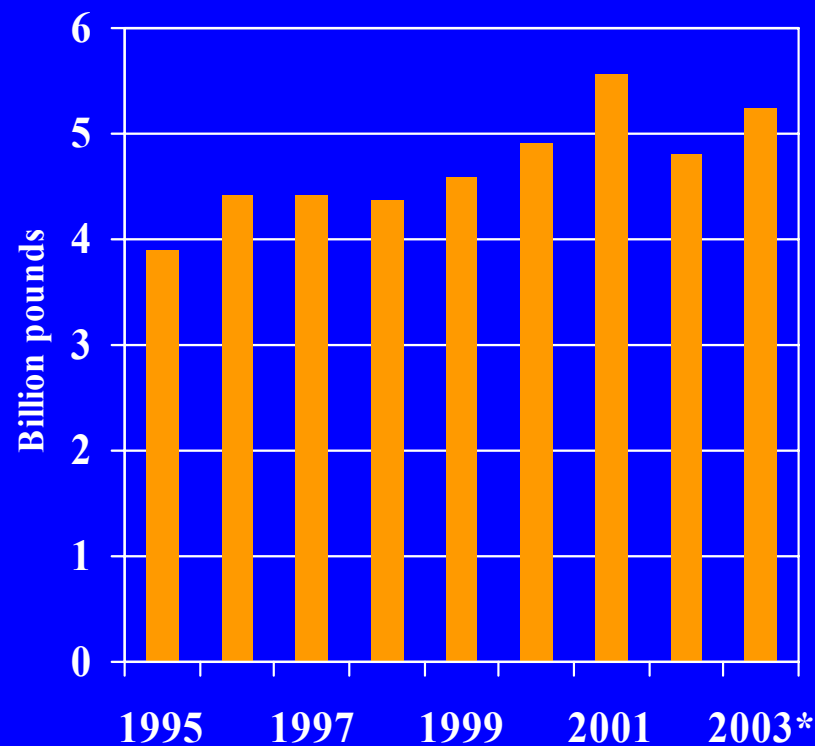
\*Forecast



# Broiler Exports to Grow Slowly in 2003

- Exports in 2002 fell 14 percent to 4.8 billion pounds.
  - Disease outbreaks caused trade disruptions.
  - Exports to Russia limited by certificate and inspection disputes.
  - Disputes with China limited trade.
- Resolution of these disputes should permit some growth in exports.
  - Russia instituted 1.05 mmt quota.
  - Mexico has imposed TRQ on leg quarters, thighs, and drumsticks.
  - China labeling rules being negotiated.
- Broiler exports in 2003 are forecast to increase 9 percent to 5.3 billion pounds.

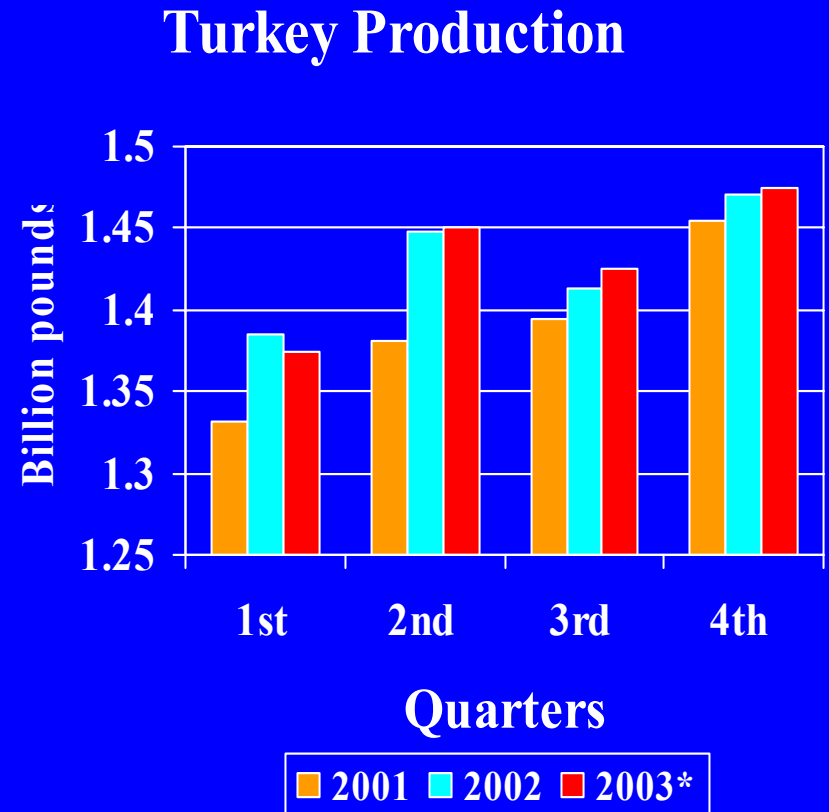
Broiler Exports



\*Forecast

# Turkey Production Unchanged in 2003

- First half 2002 production strong. Second half production slowed as returns weakened.
  - Disease outbreaks had relatively small aggregate impact on production.
- Weaker turkey prices and relatively high grain prices will slow growth in 2003.
- 2003 production will be virtually unchanged at 5.7 billion pounds.

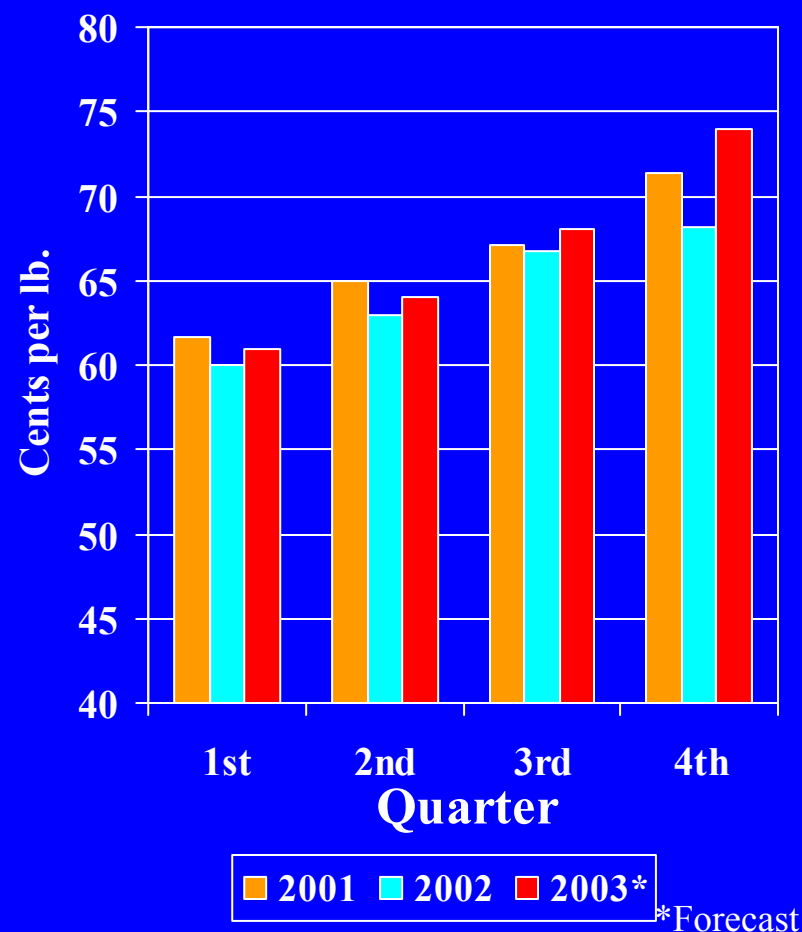


\*Forecast

# Turkey Prices to Strengthen in 2003

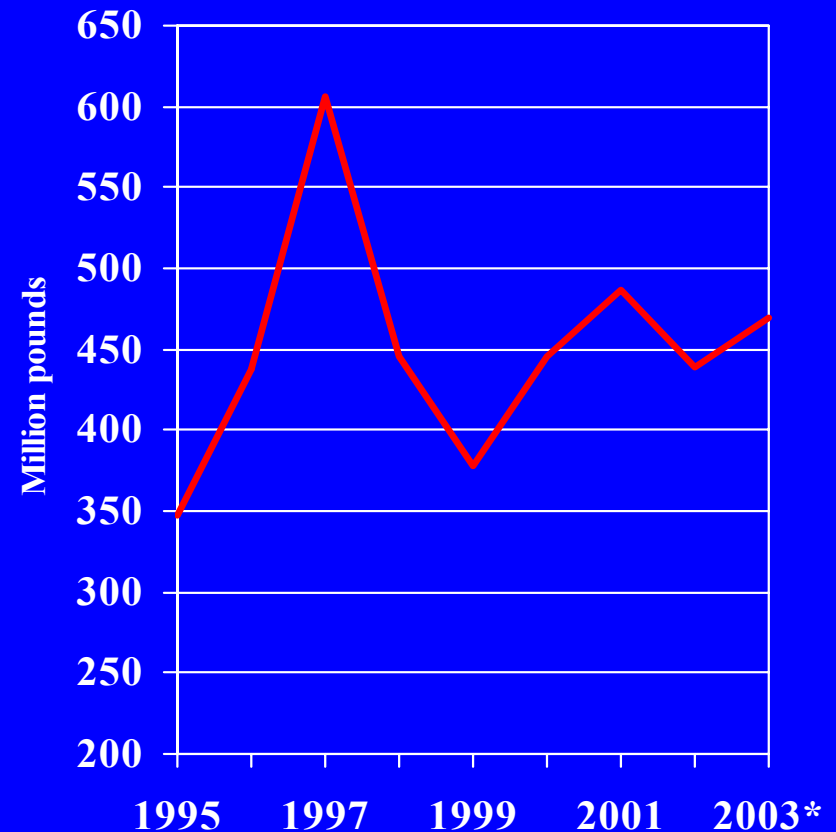
- Slower production growth will help support prices in 2003.
- Prices are forecast at 65-69 cents per pound, compared to 64.5 cents in 2003.
- During the second half of 2003, prices will strengthen more as supplies are limited.

Eastern Region Hen Price



# Turkey Exports on the Rebound

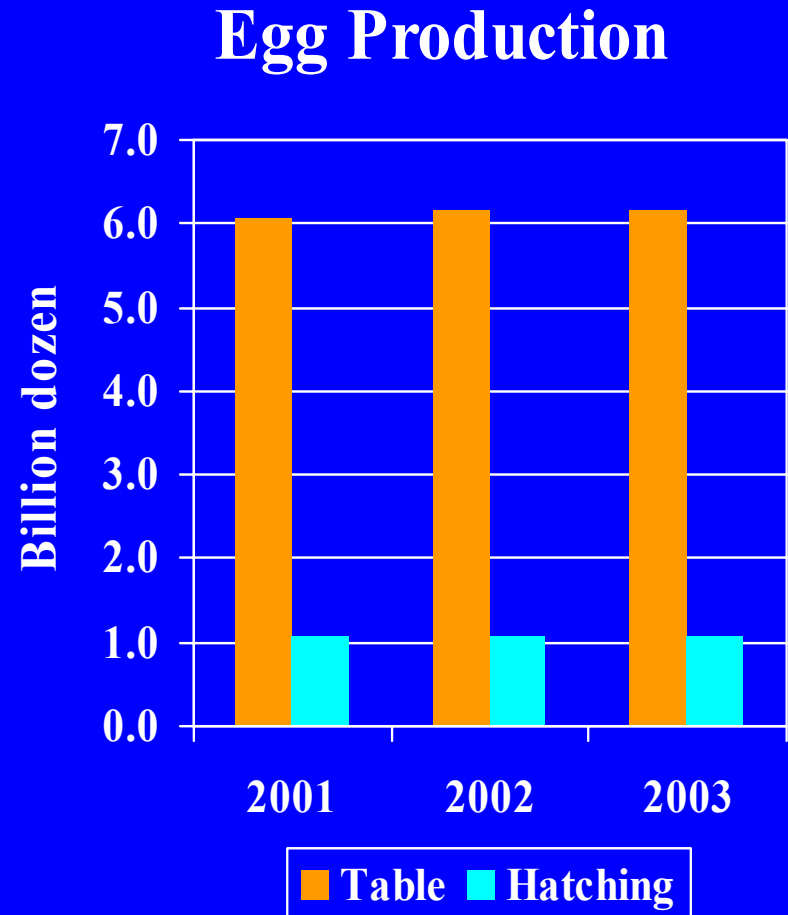
- Turkey exports in 2002 fell nearly 10 percent to 439 million pounds.
  - Disease outbreaks caused disruptions in exports to most markets.
- Exports in 2003 are expected to increase about 7 percent.
  - Mexico remains the major market, taking about 45 percent of U.S. turkey exports.
  - Russian quota policy will likely favor broiler imports over turkey.



\*Forecast

# Egg Production to be Unchanged in 2003

- Egg production forecast to be virtually unchanged at 7.2 billion dozen, as returns were weak in 2002.
- Aggregate impact of Exotic Newcastle Disease limited.
  - Flocks destroyed in California represent less than 1 percent of U.S. flock.
- Table egg production expanded 1 percent in 2002, and will be unchanged in 2003.
- Hatching egg production expected to remain about 1.07 billion dozen for third straight year, as broiler production slows.

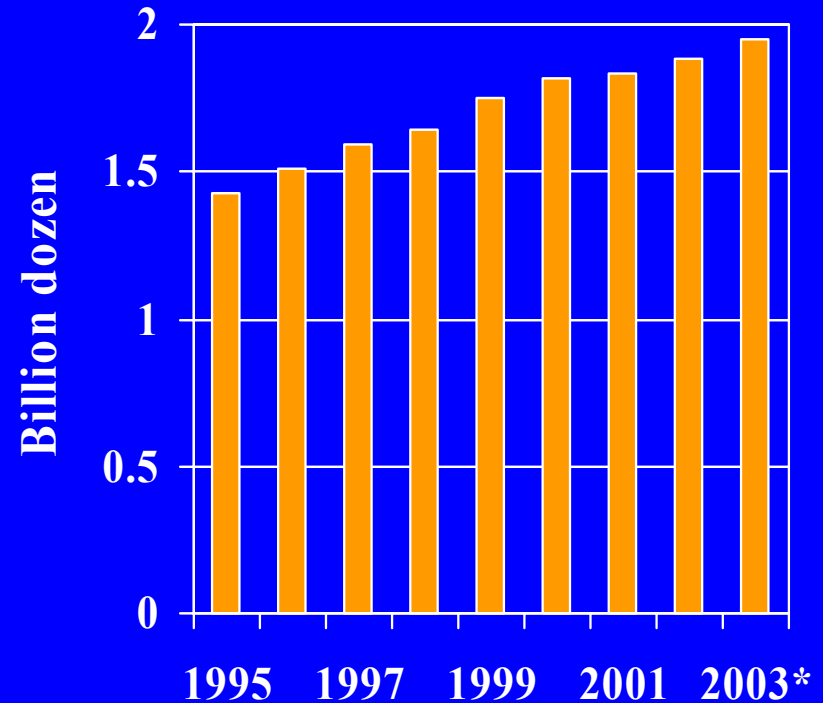


\*Forecast

# Eggs Broken Continues to Rise

- Eggs broken are forecast to rise to 1.95 billion dozen in 2003.
- Upward trend in eggs broken increases as eggs are consumed as an ingredient in products, e.g., baked goods.
- Demand for pasteurized eggs products is strong, especially in food service.

## Eggs Broken

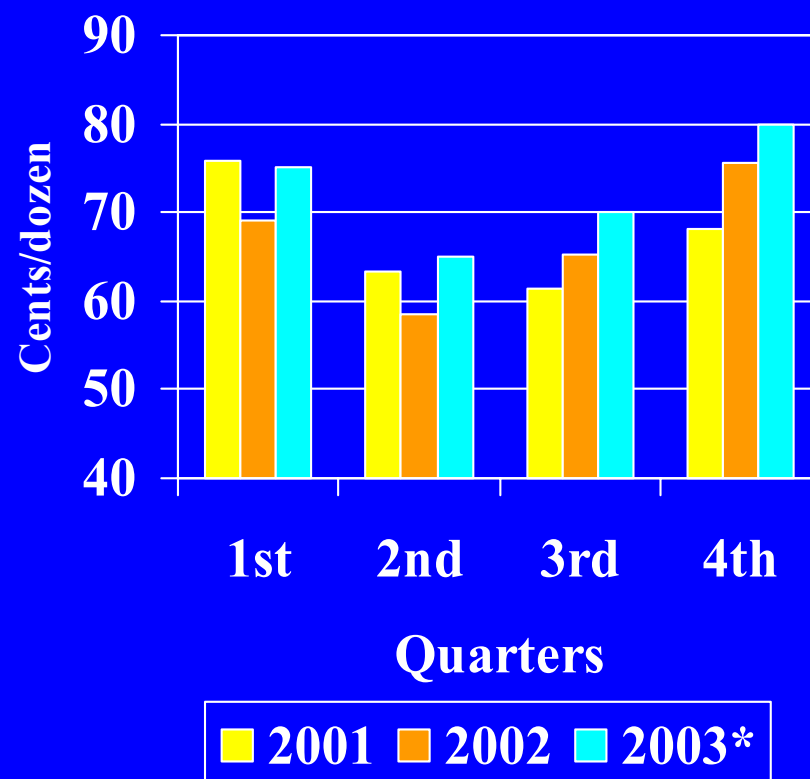


\*Forecast

# Egg Prices Forecast to Increase in 2003

- Prices are expected to reach 71-74 cents per dozen in 2003.
- Little production growth and rising use should boost prices back up highest prices since 1998.

## Grade A, Large, NY



\*Forecast

## **Additional 2003 Forecast Information is Available**

- World Agricultural Supply and Demand Estimates
  - [www.usda.gov/oce/waob](http://www.usda.gov/oce/waob)
- Livestock, Dairy, and Poultry Situation and Outlook
  - <http://www.ers.usda.gov/publications/ldp/>
- Livestock and Poultry: World Markets and Trade
  - [www.fas.usda.gov/dlp/dlp.html](http://www.fas.usda.gov/dlp/dlp.html)