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The following estimates, forecasts, and projections are mainly taken from recent publications of the National Agricultural Statistics Service, Economic Research Service, and the World Agricultural Outlook Board of the USDA.

Cotton. Lower production and domestic mill use highlight this month's U.S. cotton situation. All cotton production is forecast at 17.4 million 480-pound bales, down 2% from last month and 14% less than last year's record high production. Yield is expected to average 648 pounds per harvested acre, down 17 pounds from last month and 57 pounds below the previous year. The World Agricultural Outlook Board (WAOB) projected exports are unchanged at 10.8 million bales. U.S. ending stocks are reduced to 6.50 million bales. World stocks are reduced to 38.8 million bales, the lowest level since 1995/96.

Corn. The 2002 corn production is forecast at 9.00 billion bushels, down 5% from last year. Based on November 1 conditions, yields are expected to average 127.6 bushels per acre, down 10.6 bushels from a year ago. WAOB projected 2002/03 U.S. ending stocks are down 5 million bushels from last month as increased domestic use more than offsets lower exports. A market year average price between \$2.20 and \$2.60 per bushel is expected, compared to \$1.97 for the 2001 crop.

Soybeans. The 2002 soybean crop is forecast at 2.69 billion bushels, down 7% from last year. The yield forecast, at 37.5 bushels per acre, is 2.1 bushels below 2001. WAOB projected U.S. ending stocks, at 175 million bushels, are down 10 million bushels from last month. Soybean exports are forecast at 900 million bushels by the WAOB, an increase of 10 million bushels from last month based on the strong shipment pace to date. A market year average price is projected between \$5.05 and \$5.85 per bushel, compared with \$4.38 for the 2001 crop year.

Wheat. All wheat production totaled 1.62 billion bushels in 2002, down 17% from 2001. The average yield is 35.3 bushels per acre, down 4.9 bushels from last year. WAOB projected 2002/03 U.S. ending stocks are down 10 million bushels from last month due to increased food use. Larger expected food use mainly reflects the reduced extraction rate (flour yield per bushel of wheat) indicated in the recent mill grind report issued by the Bureau of Census and expectations for the lower extraction rate to continue in coming months. The market year average price is expected to average between \$3.65 and \$3.95 per bushel compared to \$2.78 for the 2001 crop.

Rice. U.S. rice production is at 212 million cwt, less than 1% below 2001. The average yield is forecast at a record high 6,611 pounds per acre, 182 pounds above last year. The market year average price is expected to average between \$3.80 and \$4.10 per cwt compared to \$4.17 for the 2001 crop.

Other Crops. The **All Orange** production forecast for 2002-2003, at 11.3 million tons, is 10% below last season. **Grain Sorghum** production is forecast at 381 million bushels, down 26% from 2001. The **peanut crop** is forecast at 3.51 billion pounds, 18% below last year's crop. **Pecan** production, a crop with an alternate bearing cycle, is down 48% from the previous year. **Fall potato** production and December 1 **potato stocks** are up 6% and 2%, respectively, from 2001.

Cattle. Mid-December **prices** for choice steers (Nebraska direct, 1100-1300 pounds) averaged \$72 per cwt, up \$3 from mid-November. Feeder steer prices (Oklahoma City, medium-large frame, 750-800 pounds) were roughly \$84 per cwt, up \$2 from a month ago.

Hogs. Through the first two weeks of December, hog **slaughter** was running nearly 98% of a year ago. **Cash prices** at mid-December (Iowa-Southern Minnesota direct, 51-52% lean) averaged \$30 per cwt, up \$3 from the mid-November price. Fourth quarter prices are expected to average \$31 per cwt.

Other Livestock. November **milk production** was up 1.8% from the previous year. Production per cow increased 1.1%, while the number of cows increased 0.7% from a year earlier. The **cheddar cheese price** (U.S. 40 pound blocks, wholesale) was down the first two weeks of December. Total **cheese** production reported for the month of October, 2002 was 4.7% above the previous year. **Butter** production during this same time period was 7.1% below last year. Production of **nonfat dry milk for human food** was down 5.7% from October, 2001. US table **egg production** during November 2002 totaled 6.23 billion, up 1% from November 2001. Wholesale market **egg prices** for the fourth quarter of 2002 (Grade A large, New York) are expected to average 76-77 cents per dozen, compared with 68.2 cents a year ago. First quarter 2003 egg prices are expected to average 68-72 cents per dozen, compared with 69.1 cents a year earlier. **Broiler**-Type chicks hatched during November 2002 totaled 690 million, down 2% from last year. Weekly Broiler-Type Placements in 19 selected states for the week ending December 14, 2002, were 163 million, 2% below a year ago. The wholesale 12-city average price for whole **broilers** for the

fourth quarter of 2002 is expected to be 53-54 cents, compared with 58.5 cents from the fourth quarter of last year. First quarter 2003 broiler prices are expected to average 56-58 cents per pound, compared with the 56.0 cents for a year earlier. Turkey Poults Placements in November 2002, at 24.0 million, were down 1% from last November. Cumulative placement for the 2003 marketing year are 70.5 million poults, down slightly from a year ago. Prices (8-16 lb. hens, Eastern Region) for the fourth quarter of 2002 are expected to be 68-69 cents compared with 71.4 cents for the fourth quarter last year. Turkey prices for the first quarter of 2003 are expected to average 59-63 cents per pound, compared with the 60.0 cents average for the first quarter of 2002. **Supplies in refrigerated warehouses** at the end of November 2002 compared with a year earlier were: total chicken, up 16%; turkey, up 27%; pork, up 8%; bellies, down 50%; beef, up 20%; frozen orange juice, up 5%; butter, up 135% and American cheese, up 8%.

Trade. December U.S. **trade projections** for rice, soybeans, beef, and pork improved while 2002/2003 export prospects for corn and broilers declined, compared with last month. Wheat, cotton, and turkeys were unchanged from November. December projections for the volume of exports for the 2002/2003 marketing year compared to 2001/2002 are: **wheat** down 1%; **corn** up 1%; **rice** up 12%; **soybeans** down 15%; **soybean meal** down 17%; **soybean oil** down 9%; and **cotton** down 2%. December projections for the volume of meat exports in calendar 2003 compared to 2002 are: **beef** up 3%; **pork** up 2%; **broilers** up 8%; and **turkeys** up 7%. The U.S. **trade** deficit for goods and services decreased to \$35.1 billion in October, from a revised \$37.1 billion in September. The U.S. **agricultural trade** surplus was \$1173 million in October, compared with \$708 million in September.

Prices. The rate of **inflation**, as monitored by the **CPI** for all urban consumers, was unchanged in November but has increased 2.2% over the last 12 months. The **PPI** decreased 0.4% from October and has decreased 1.2% over the last 12 months. The November **prime rate**, averaging 4.35%, is the first change to the prime rate since January (4.75%). Compared to a year earlier, **feed** prices in November were up 7%; **feeder livestock and poultry** down 3%; **fertilizer** up 3%; **ag chemicals** down 3%, **farm machinery** prices were unchanged, **seeds** up 7% and **fuels** up 43%.

World Weather and Crop Developments (December 8-15). In the **United States** above-normal temperatures supported winter wheat development across most of the Great Plains and Pacific Northwest, while below-normal temperatures virtually halted development in the eastern Corn Belt. Vegetative growth was minimal on the central and northern High Plains, but root development remained active in many fields. In the southern Great Plains, below-normal temperatures limited winter wheat growth early in the week, but favorably warm weather stimulated growth after midweek. In the Pacific Northwest, a large, slow-moving, low-pressure system produced heavy coastal rain and mountain snowfall that boosted next summers' irrigation water reserves. The storm also produced much-needed precipitation for winter grains in the interior Pacific Northwest, although subsoils remained very dry. In the lower Mississippi Valley and Southeast, wet weather continued to hamper harvest and fall tillage. In Florida, heavy rain interrupted vegetable planting and harvesting and reduced the quality of some crops. Also, citrus producers with bedded trees pumped excessive water from their groves. In California, dry weather supported field and orchard work in the southern half of the State. Meanwhile, forages and emerged small grains produced vigorous growth, and recently planted crops quickly emerged. Unseasonably cold weather prompted winter grains and oilseeds to enter dormancy in central and southeastern **Europe** and possibly caused winterkill in some areas. Across most of **Turkey**, the **Middle East**, and **Iran**, widespread rain provided needed moisture for winter grain development. In **Algeria** and **Tunisia**, drier weather allowed winter grain planting to resume after last week's heavy rain, while rain maintained favorable topsoil moisture in **Morocco**. Much-needed rainfall in eastern **Australia** boosted topsoil moisture for dryland cotton and sorghum and stabilized reservoir levels for irrigated summer crops. Showers boosted moisture supplies for vegetative main-season rice in Java, **Indonesia**. Dry, seasonably cool weather kept winter wheat dormant on the North **China** Plain.

Other News. **The beverage industry is a bellwether for the food industry**, where globalization has affected the structure. Soft drink companies produce for domestic and foreign markets, license their products, and invest in plants abroad. U.S. soft drink exports totaled \$232 million in 2001. **Enhancing Food Safety in APEC Countries.** Changing consumption patterns, lengthening of supply chains, and the rising share of perishable food products in trade are all generating concerns about food safety in the Asia Pacific Economic Cooperation (APEC) region. Recent outbreaks of foodborne illness in China (contamination by rat poison) and the U.S. (*Listeria*) have heightened that concern. Such incidents result in added health care costs to society, lost productivity, and changes in consumer behavior that can adversely affect a firm or an entire industry. APEC countries are increasingly implementing quality and risk management systems and training programs to make food supplies safer. **Commodity policies of the U.S., the European Union, and Japan** address some of the same goals, but there have always been key differences in approach and in their policy instruments. In recent years, all three have made significant changes to their commodity policies. Efforts to encourage freer trade in agricultural commodities have led each of the three toward less trade-distorting programs. Although differences certainly remain, some of the factors influencing development of agricultural policy may be pushing their commodity policies in a similar direction. As the next round of **multilateral trade negotiations** begins later this winter, attention is most frequently trained on commodity-by-commodity impacts of trade liberalization. But the most compelling economic story is the potential for trade liberalization to accelerate income growth in developing countries. It is income growth that increases demand for food and shifts demand to high-value products such as meat. Expansion of demand in developing countries would present a significant opportunity for U.S. producers who otherwise face a stable and mature domestic food market.

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