Executive Summary

California Cattle Outlook

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Favorable Economics Continue in 2001

The livestock industry will continue with favorable economics in 2001. Both milk cow and replacement numbers are down and the national cow herd is one percent lower than last year at the same time. Favorable grain prices are likely to result in higher feeding rates and strong feeder cattle prices. Feeder cattle prices may not sustain the high levels of 2000 if demand for beef weakens due to a worsening economy.

Total poultry production will increase again this year, but red meats supplies will be smaller this year, resulting in only a marginal increase in total poultry and red meat production

Cow Numbers Decline

- The beef cow inventory was 33.5 million animals on January 1, down one percent from the previous year
- The January 1, 2000 dairy cow inventory totaled 9.19 million animals, up one percent from the same period in 1999
- Beef cow replacement heifers of 5.53 million were down slightly from the same time in 1999
- Milk cow replacement heifers were down 3 percent from 1999
- Dairy cow numbers in the 11 western states increased another 101 thousand head after a 68 thousand head increase in 1999, much of this increase can be accounted for by changes occurring in California and Idaho
- Beef cow numbers in the 11 western states declined by about 6 thousand head, increases occurred in Montana, Colorado, Utah and Washington

Domestic Red and White Meat Situation

- U.S. red meat production will total about 46 billion pounds in 2000 and is projected to amount to about 44 billion pounds in 2001
- U.S. poultry production will amount to 36 billion pounds in 2000 and 38 billion pounds in 2001, up about 8 percent
- Broiler production of 30.7 billion pounds in 2000 was about 6 billion pounds more than projected last summer. It is estimated to be 32 billion pounds in 2001, up about 4 percent

2001: A Period of Stable Cattle Prices

- The large increase in poultry production has largely been a function of low grain prices

- The January 1, 2000 national cattle herd count was the smallest since 1989
- Total red meat and poultry supplies will increase one percent in 2001, increases in poultry production will be greater than average
- The national cow herd should start increasing this year
- Broiler production to rise about 8 percent in 2001, much larger than normal
- The national hog industry is in the midst of a modest and slow recovery
- Beef cow herds did not expand in the West as I expected, look for increases in 2001

- Improving feeder cattle prices should result in higher cow herd retention rates and lower cow slaughter in 2001

- The national cattle herd of 98 million animals is the smallest since 1989, this also will cut slaughter

- Low grain prices and resulting higher demand for feeder cattle signal cow herd expansion, excepting Southern states where drought prevails

Regional Situation

- The Western beef industry continues in transition, as concentration of regional slaughter facilities intensifies

- Nearly 23 percent of all cattle fed in the 11 major cattle feeding states are fed in Texas and if Nebraska, Kansas and Colorado are included, the number goes to 68 percent

- California beef cow numbers declined 10 thousand head to 790 thousand, a sustainable level

- California dairy cow numbers increased 50 thousand head to 1.49 million head on January 1

- California feeder cattle prices will continue to be derived from demand emanating from major feeding states

- Feeder cattle pricing problems will persist, due to the absence of a state wide public price reporting program

- Despite record grain production, analysts are concerned rising energy prices will cue energy based inflationary pressures on grain prices

Key Points

- Milk production in 2001 is projected to remain at 2000 levels

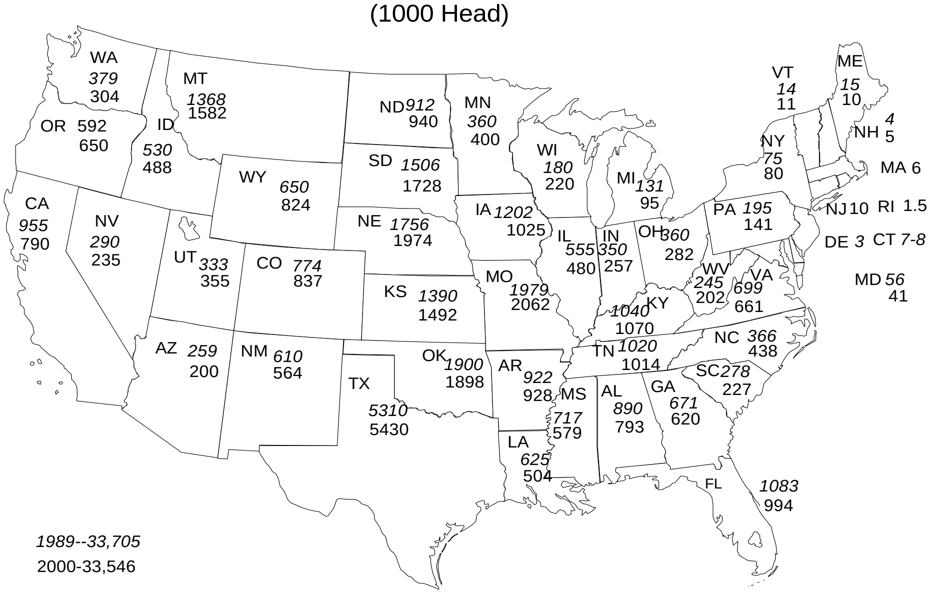
- Milk cow numbers will likely continue to increase in California

- Low cost feed grains and forages resulted in under estimates of 2000 red meat production and a very large understatement of poultry production

- Hog producers intend to increase farrowings slightly by the last quarter of the year, but rising sow productivity is expected to increase hog numbers more rapidly. Pork production will increase in 2001 as higher hog weights and inventories are forecast.

- Expect higher feed prices in 2001

Beef Cows: January 1 Inventory
1989 and 2000
(1000 Head)



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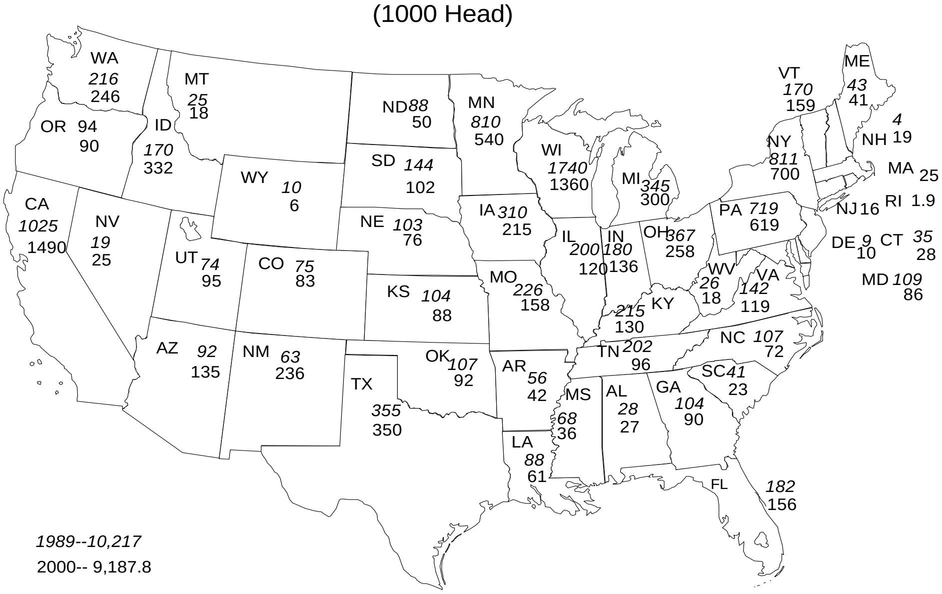
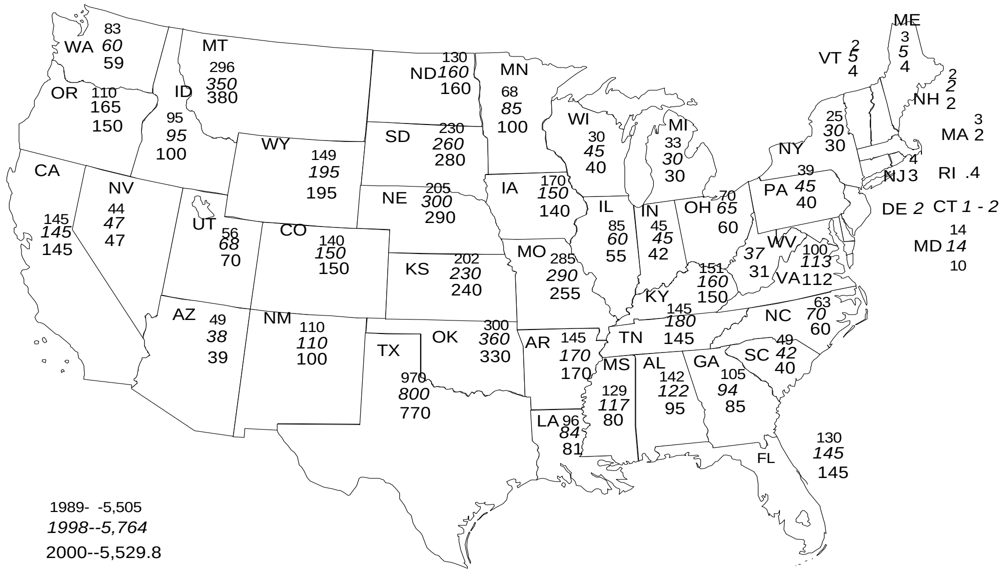


Beef Cow Replacements: January 1 Inventory
1989, 1998 and 2000

(1000 Head)



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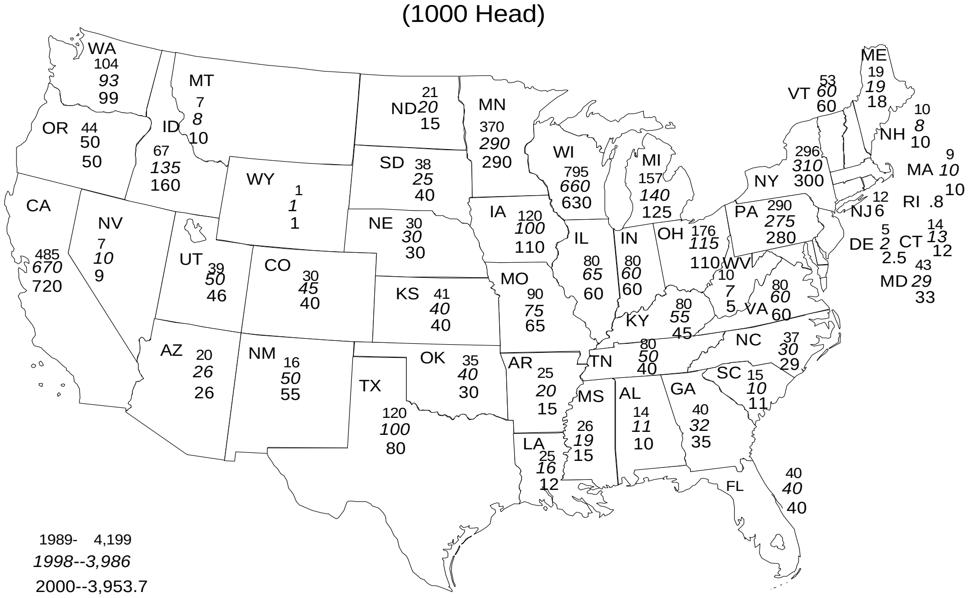
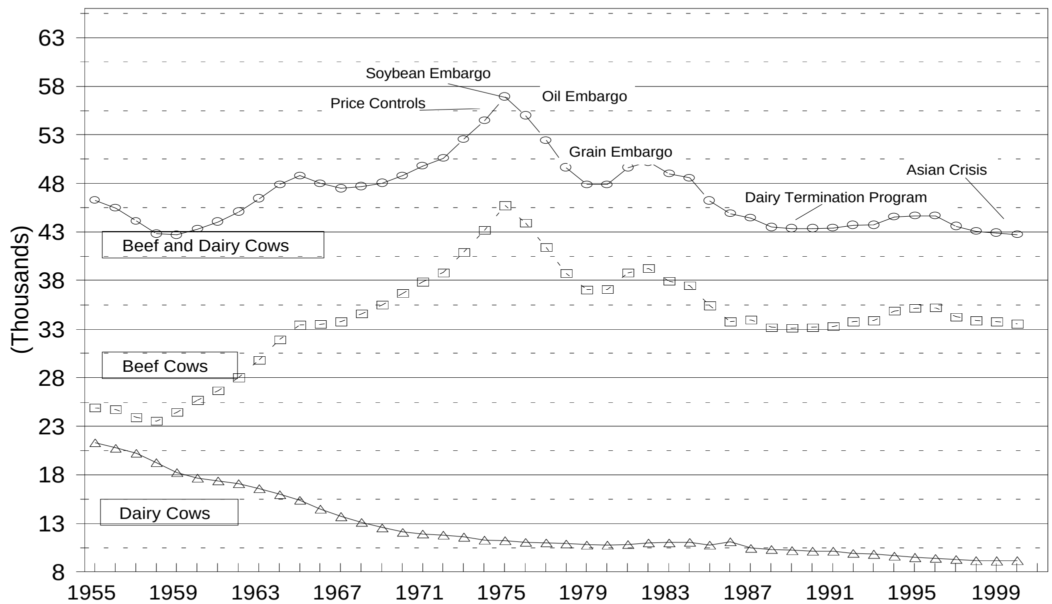
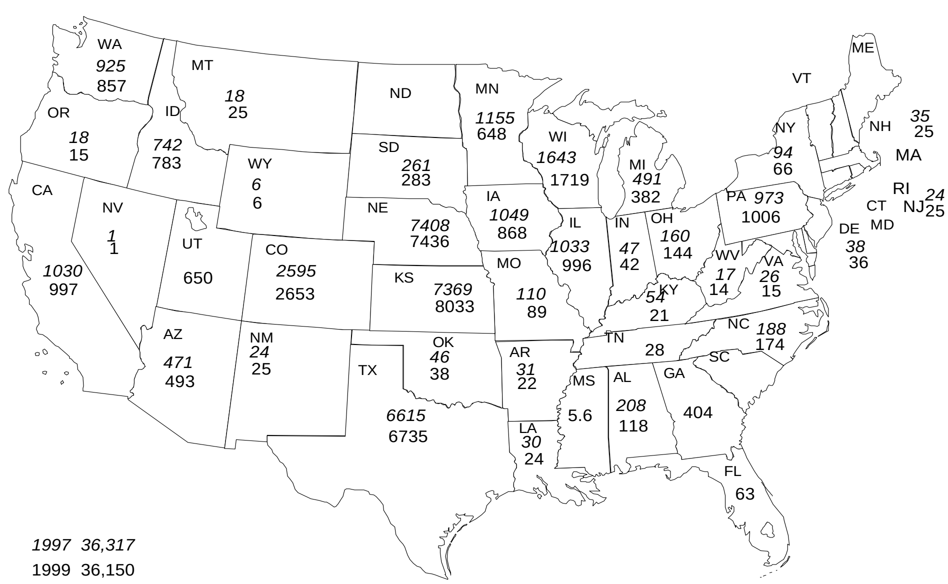
(1000 Head)



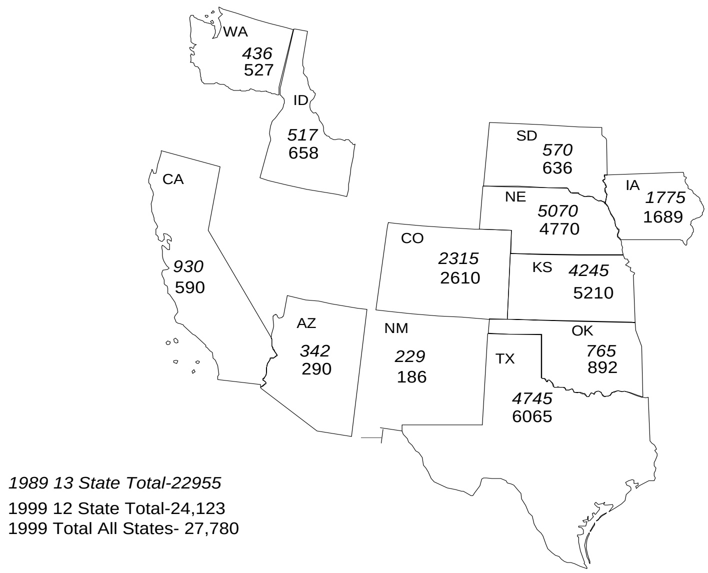
U.S. Cow Numbers and Calf Crop
1955-00



Commercial Cattle Slaughter: 1997-99
1000 Head



Fed Cattle Marketings 1989 and 1999
1000 Head



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U.S. Quarterly Prices for Animal Products

Year and quarter	Choice steers 1/	Barrows and gilts 2/	Broilers 3/	Turkeys 4/	Eggs 5/	Milk 6/
	Dol./cwt	Dol./cwt	Cents/lb.	Cents/lb.	Cents/doz.	Dol./cwt
1999						
III	65.12	35.70	58.1	73.8	66.2	14.87
IV	69.65	36.29	57.6	76.9	63.2	13.83
Annual	65.56	34.00	58.1	69.0	65.6	14.36
2000						
I	69.32	41.14	54.6	62.9	63.3	11.90
II	71.59	50.43	55.7	69.0	62.1	12.03
III *	64-65	45-46	56-57	73-74	65-66	12.50-12.70
IV *	67-71	39-41	54-56	76-80	65-69	13.05-13.55
Annual						
Aug Proj	68-70	45-46	55-57	70-72	63-65	12.30-12.50
Sep Proj	68-69	44-45	55-56	70-71	64-65	12.35-12.55
2001						
I *	67-73	41-45	51-55	60-64	60-66	11.70-12.50
II *	71-77	44-48	52-56	63-69	53-57	10.90-11.90
Annual						
Aug Proj	72-77	42-46	53-58	65-71	59-63	12.20-13.20
Sep Proj	71-77	41-45	52-56	65-71	59-63	12.20-13.20

*Projection.
1/ Nebraska, Direct, 1100-1300 lbs. 2/ National Base, Live equiv 51-52% lean 3/ Wholesale, 12-city average. 4/ 8-16 lbs, hens, Eastern Region. 5/ Grade A large, New York, volume buyers. 6/ Price received by farmers for all milk.

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U.S. Meats Supply and Use

Item		Supply: Beginning stocks	Supply: Production 1/	Supply: Imports	Supply: Total supply	Use: Exports	Use: Ending stocks	Use: Consumption: Total	Use: Consumption: Per capita 2/
		Million pounds 3/							
BEEF									
1999		393	26493	2874	29760	2411	411	26938	69.1
2000 Proj.	Aug	411	26881	3029	30321	2515	390	27416	69.6
	Sep	411	26881	3018	30310	2529	390	27391	69.6
2001 Proj.	Aug	390	25681	3050	29121	2435	365	26321	66.3
	Sep	390	25581	3050	29021	2455	365	26201	66.0
PORK									
1999		584	19308	827	20720	1285	489	18945	53.9
2000 Proj.	Aug	489	18899	1005	20393	1260	500	18633	52.5
	Sep	489	18899	999	20387	1253	500	18634	52.5
2001 Proj.	Aug	500	19080	1005	20585	1305	500	18780	52.4
	Sep	500	19080	1005	20585	1305	500	18780	52.5
TOTAL RED MEAT 4/									
1999		994	46284	3813	51092	3701	914	46476	124.8
2000 Proj.	Aug	914	46233	4148	51295	3781	904	46610	123.8
	Sep	914	46233	4134	51281	3788	904	46589	123.9
2001 Proj.	Aug	904	45189	4169	50262	3744	879	45639	120.4
	Sep	904	45089	4169	50162	3764	879	45519	120.2
BROILERS									
1999		711	29468	4	30183	4866	796	24521	77.2
2000 Proj.	Aug	796	30370	4	31169	5055	850	25264	78.7
	Sep	796	30418	4	31218	5206	850	25162	78.5
2001 Proj.	Aug	850	31967	4	32821	5050	880	26891	83.1
	Sep	850	31670	4	32524	5200	880	26444	81.8
TURKEYS									
1999		304	5230	1	5535	379	254	4902	18.0
2000 Proj.	Aug	254	5381	0	5635	419	250	4967	18.0
	Sep	254	5382	1	5637	426	225	4986	18.1
2001 Proj.	Aug	250	5380	1	5631	420	275	4935	17.8
	Sep	225	5429	1	5655	420	275	4959	17.9
TOTAL POULTRY 5/									
1999		1022	35252	7	36281	5638	1058	29585	95.7
2000 Proj.	Aug	1058	36294	6	37357	5823	1105	30428	97.5
	Sep	1058	36343	7	37408	5967	1080	30360	97.3
2001 Proj.	Aug	1105	37911	7	39023	5830	1165	32027	101.6
	Sep	1080	37664	7	38751	5980	1165	31604	100.4
RED MEAT & POULTRY									
1999		2016	81537	3820	87372	9340	1972	76061	220.5
2000 Proj.	Aug	1972	82527	4154	88652	9603	2009	77039	221.3
	Sep	1972	82576	4141	88689	9754	1984	76949	221.2
2001 Proj.	Aug	2009	83100	4176	89285	9574	2044	77666	222.0
	Sep	1984	82753	4176	88913	9744	2044	77123	220.5

1/ Total including farm production for red meats and, for poultry, federally inspected plus non-federally inspected, less condemnations. 2/ Pounds, retail-weight basis. 3/ Carcass weight for red meats and certified ready-to-cook weight for poultry. 4/ Beef, pork, veal, lamb and mutton. 5/ Broilers, turkeys and mature chicken.