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OCTOBER EGG PRODUCTION 1 PERCENT ABOVE YEAR AGO

Egg production during October totaled **9.8 million eggs** (27,222 cases), 1 percent more than a year earlier, according to the *Hawaii Agricultural Statistics Service*. This was the first month-over-month increase in production since August 2000. An increase in the average rate of lay overcame the decline in the average number of layers on hand to account for the increase in production. The average number of layers on hand during October 2002



was 537,000, compared with 560,000 a year ago, and 537,000 during September 2002. The average rate of lay was 1,825 eggs per 100 layers (58.9 percent lay rate) compared with 1,732 (55.9 percent) a year ago. Cumulative egg production for the first 10 months of 2002 was 97.5 million eggs, 10 percent less than during the same period in 2001.

U.S. EGG PRODUCTION

U.S. egg production totaled 7.41 billion during October 2002, up 1 percent from last year. Production included 6.34 billion table eggs and 1.07 billion hatching eggs, of which 1.01 billion were broiler-type and 58.0 million were egg-type. The total number of layers during October 2002 averaged 338 million, up slightly from a year earlier. October egg production per 100 layers was 2,192 eggs, up 1 percent from the 2,180 eggs in October 2001.

October 2002 contained 23 weekdays, one holiday and four Saturdays, the same as October 2001.

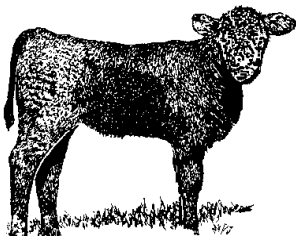
All layers in the U.S. on November 1, 2002 totaled 338 million, up slightly from a year ago. The 338 million layers consisted of 281 million layers producing table or commercial type eggs, 54.8 million layers producing broiler-type hatching eggs, and 2.55 million layers producing egg-type hatching eggs. Rate of lay per day on November 1, 2002, averaged 71.1 eggs per 100 layers, up 1 percent from a year ago.

Laying flocks in the 30 major egg producing States produced 6.94 billion eggs during October 2002, up 1 percent from a year ago. The average number of layers during October, at 317 million, was up slightly from a year ago.

Number of layers and egg production, State of Hawaii, October 2002 ¹

County	Number of layers on hand during month			Eggs per 100 layer		Total eggs produced			
	Oct. 2001	Sept. 2002	Oct. 2002	Oct. 2001	Oct. 2002	Oct. 2001	Oct. 2002	Year-to-date	
								2001	2002
	----- Thousands -----			--- Number ---		----- Millions -----			
Hawaii/Kauai/Maui	143	129	128	1,724	1,956	2.5	2.5	27.6	23.8
Honolulu	417	408	409	1,736	1,786	7.2	7.3	80.3	73.7
State	560	537	537	1,732	1,825	9.7	9.8	107.9	97.5

¹ State totals may not add due to rounding.



OCTOBER MARKETINGS OFF 61 PERCENT A YEAR AGO

Cattle marketings during October totaled 3,200 head, compared with 8,100 head a year ago and 900 head during September 2002. Declines in both out-of-state shipments and local slaughter accounted for the 61 percent drop in marketings when compared with a year earlier. Year-to-date marketings at 35,400 head were 26 percent less than the same 10-month period in 2001. Cattle and calves shipped out-of-State during October totaled 2,200 head compared with 7,000 a year earlier and none during September. Out-of-state marketings during the first ten months of 2002 was 25,500 head, 31 percent below the same period in 2001.

Cattle Marketings, State of Hawaii, October 2002

Month	Total Marketings ¹		Exports ²							
	Number of Head ³		Number of Head						Average Live Weight	
			Steers		Heifers		Total ³			
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
October	8,100	3,200	4,100	1,300	2,900	900	7,000	2,200	420	400
Year-to-date ⁴	47,900	35,400	21,400	15,200	15,400	10,300	36,800	25,500	440	430

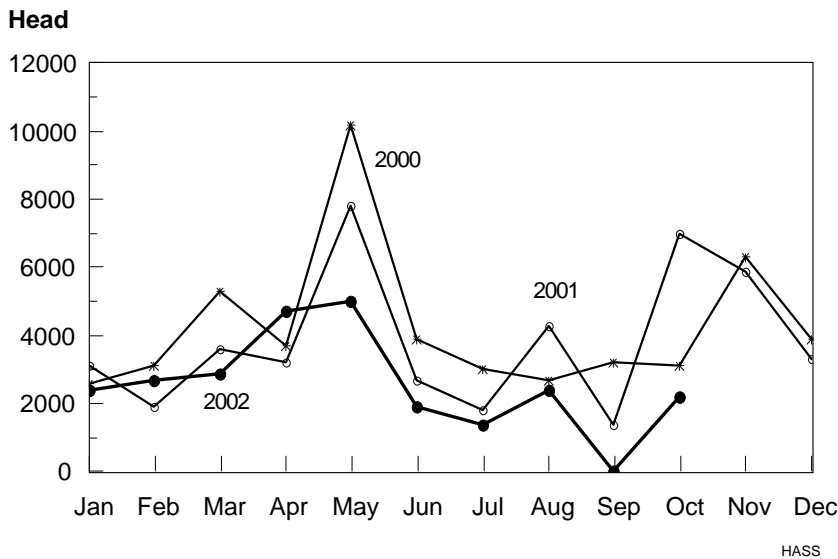
¹ Sum of Commercial Slaughter and Exports.

² Cattle and calves shipped out-of-State.

³ Total may not add to sum due to rounding.

⁴ Includes any revisions made to previous month figures.

CATTLE & CALF OUTSHIPMENTS STATE OF HAWAII, 2000-2002



SLAUGHTER CATTLE (U.S.)

Weekly Simple Average of Daily Quotations, Choice 2-4

Dollars per 100 pounds

Week ending	Steers	Heifers
	(1,100 - 1,300 pounds)	(1,000 - 1,200 pounds)
from California		
10-5-02	—	—
10-19-02	—	—
from Sioux Falls		
10-5-02	63.25	62.50
10-19-02	66.00	66.25

Source: Livestock, Meat and Wool Weekly Summary and Statistics; **Agricultural Marketing Service, Livestock and Seed Division**

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COMMERCIAL BEEF PRODUCTION 2 PERCENT BELOW A YEAR AGO

Commercial beef production (local slaughter) during October 2002 totaled 591,000 pounds, compared with 604,000 pounds a year earlier. Commercial kill for October 2002 totaled 1,000 head, 100 less than a year ago. Average live weight per head, at 1,077 pounds, was 5 percent heavier than a year ago. Cumulative production for the first ten months of the year was 5.6 million pounds, 8 percent below the same period last year.

U.S. BEEF PRODUCTION

Beef production, at 2.51 billion pounds, was 5 percent above the previous year and a new record high for October. Cattle slaughter totaled 3.27 million head, up 3 percent from October 2001. The average live weight was 1,270 pounds, up 23 pounds from October a year ago.

PORK PRODUCTION DOWN 4 PERCENT FROM A YEAR AGO

Commercial pork production during October 2002 totaled 428,000 pounds, compared with 446,000 pounds a year ago. Total hog kill of 2,600 head was 200 fewer than a year ago. Average live weight per head, at 216 pounds, was 2 percent heavier than October a year ago. Cumulative production for the first 10 months of 2002 was 4.2 million pounds, 5 percent less than the same period in 2001.

U.S. PORK PRODUCTION

Pork production totaled 1.83 billion pounds, down slightly from the previous year. Hog kill totaled 9.40 million head, 1 percent above October 2001. The average live weight was 264 pounds, down 3 pounds from October a year ago.

Commercial slaughter, State of Hawaii, October 2002¹

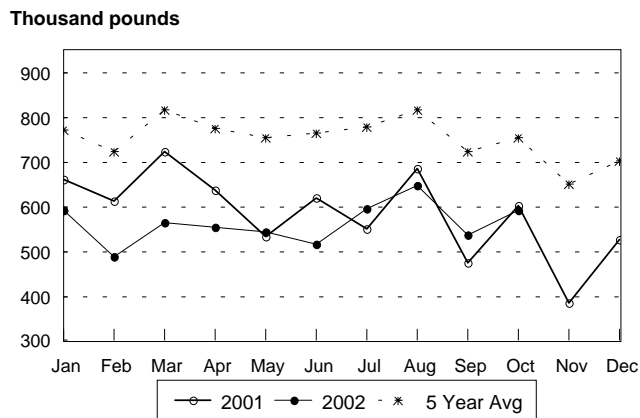
Species	Number of head		Average live weight		Total live weight ²		Total dressed weight	
	2001	2002	2001	2002	2001	2002	2001	2002
			----- pounds -----		----- 1,000 pounds -----			
Cattle								
October	1,100	1,000	1,028	1,077	1,101	1,077	604	591
Year-to-date	11,100	9,800			11,119	10,254	6,104	5,629
Hogs³								
October	2,800	2,600	212	216	595	570	446	428
Year-to-date	28,900	26,400			5,878	5,607	4,409	4,205

¹ Excludes non-inspected farm slaughter and live cattle and calves shipped out-of-state; includes custom slaughter.

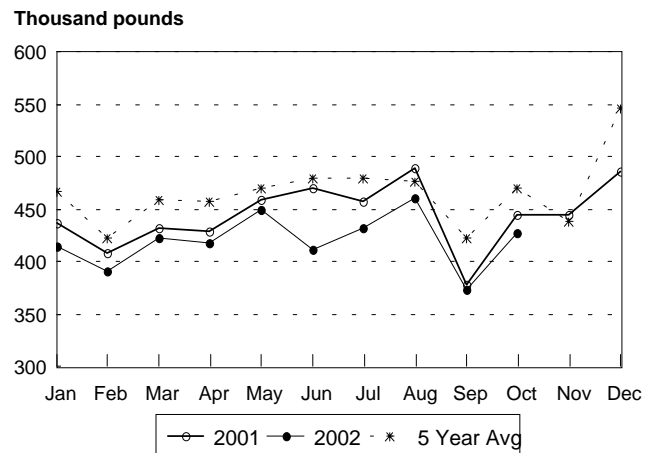
² Estimates based on 54.9 dressing percentage for cattle; 75.0 dressing percentage for hogs.

³ Excludes non-inspected farm slaughter; includes custom slaughter and live hog inshipments from the mainland for slaughter.

Commercial Beef Production, State of Hawaii 2002, with comparisons



Commercial Pork Production, State of Hawaii 2002, with comparisons



PASTURE AND LIVESTOCK CONDITION, NOVEMBER 1, 2002



Hawaii County

Hilo and Puna: Rainfall, during October, was light and below normal, except for amounts recorded at the Glenwood rain gage. Soil moisture levels,

however, remained adequate to maintain pastures in good to excellent condition with a sufficient supply of standing feed on hand. The warm, dry conditions, however, enhanced conditions for the spread of the broom sage weed and the gorse bush. Cattle and calves were in good condition.

Ka'u: Although the two rain gages in the district indicated below normal rainfall, timely light showers helped maintain many pastures in fair to good condition. In general, higher elevation pastures tended to fair better than lower elevation pastures. The drying conditions in this district have also spurred the spread of some undesirable weeds. Cattle and calves were in good condition.

Kona: Frequent showers during the first half of the month helped to keep most pastures in good to very good condition. Normally dry North Kona pastures received some light showers, helping to stimulate new grass growth, but some lower elevation pastures remained dry with an increase in weed infestations. Cattle and calves were in fair to good condition with some supplements being fed.

Kohala: In general, heavier rainfall was limited to areas of northwest Kohala and a few windward sectors where forage supplies and new grass growth were good. Lighter rainfall fell over the remainder of the district, allowing drier pasture conditions, but with a sufficient supply of forage feed on hand. Lower elevation leeward coastal pastures around Kawaihae and Mahukona were dry with very little feed. Cattle and calves were in fair to excellent condition.

Hamakua: Although rain gage totals were below normal for the month, continuous light showers during the first half of October provided sufficient moisture to maintain most pastures in good condition. Forage feed supplies were adequate in most areas. Cool temperatures along with low soil moisture slowed grass growth at higher elevation pastures. Minimal water hauling was needed. Cattle and calves were in generally good condition.

Honolulu County

Heavy rains during mid-October provided good moisture to most southern and western sectors of the island. Even some windward pastures received near to above normal rainfall. As a result, pastures in many areas of the island were in fair to good condition. Cattle and calves were also in fair to good condition.

Kauai County

Except for the eastern portion of the island, which received heavy rains, the weather systems passing through the island produced only light rainfall elsewhere. Most pastures were in fair condition, with drier conditions prevalent along the southern and western sectors. Cattle and calves were in fair condition.

Maui County

The weather system which passed through the State during mid-month produced heavy rains and flash flooding, however, no major damage was reported by ranchers. The resultant rainfall totals for the month were well above normal for all rain gages in the county. The area which benefitted the most from this rainfall was the lower elevation leeward pasture, where new grass growth was good. In general, most pastures were in fair to good condition. The cattle and calves were also in fair to good condition.

Rainfall Data Source: *National Weather Service Forecast Office. NWS-NOAA.*

Disclaimer: *Data from Hydronet state-wide network of automated rain gages. Gages are not certified and rainfall information is provided for informational purposes only.*

U.S. AGRICULTURAL OUTLOOK

Dairy Use Recovers — a Bit

Dairy product sales apparently have begun to grow again after about a year of sluggishness. Commercial disappearance during July - September rose about 2 percent from a year earlier on a milkfat basis and almost as much on a skim solids basis, mostly because of large increases in September. However, these increases do not mean that demand is back from its extended weakness. Summer prices were much below those of a year earlier, stimulating sales. Also, September 2001 sales were very weak as buyers had enough in the pipeline to slash purchases and let prices drop.

Despite the lack of a pronounced rebound, demand appears to have resumed slow growth. Summer sales were larger than 2 years ago and increases were fairly broad. Rises in commercial use are expected to continue, favored by both dairy prices and some growth in the economy. Dairy demand is projected to continue to recover during the rest of 2002 and 2003, but rapid growth is not likely.

Sales of American cheese jumped 6 percent in July - September, following a 3-percent rise the preceding quarter. Restaurant use of these cheeses seems to have rebounded, as have retail sales. However, use of other varieties was just barely above a year earlier, similar to the pattern earlier in the year. Sales of Mozzarella were lower than a year earlier, reflecting continuing doldrums in the pizza market. Consumers reportedly have not shifted to pizza instead of more

expensive restaurant meals, an atypical pattern during a period of economic weakness.

Butter sales were just below a year earlier this summer, although September disappearance was much larger than last year's depressed level. Retail sales reportedly were larger. However, restaurant use was down, and retailers had not begun widespread, aggressive specialling. Disappearance of nonfat dry milk was still down sharply this summer, the combination of sluggish ingredient use and increased competition from imported concentrated milk proteins. Even so, the drop of just less than a fifth was much smaller than the 30-percent drop during the first half of the year.

Fluid milk sales continued to run about the same to slightly larger than a year earlier. However, use of most perishable manufactured products still slipped. Ice cream has not been able to benefit thus far from much more moderate milkfat prices and consumers seeking inexpensive treats.

Hogs/Pork Forecasts Largely Unchanged

The U.S. hog/pork sector is expected to slaughter 27.1 million hogs in the fourth quarter of 2002. With dressed weights anticipated to average around 197 pounds, fourth quarter pork production is expected to be 5.34 billion pounds. Hog prices are expected to average \$27 - \$29 per cwt. for the quarter, and about \$34 per cwt. for 2002. Pork production next year is expected to be 19.42 billion pounds, down 1.7 percent from 2002. Hog prices for 2003 are expected to average between \$35 and \$38 per cwt.

Special Article

Structural Changes in Fluid Milk Processing Continue

Structural change is a hot-button issue in all of the livestock and livestock product industries, including the dairy industry. It is the downstream firms in the processing, manufacturing, and distributing activities that usually come under fire. Milk and dairy product processing and manufacturing have changed dramatically over time. Fluid milk processing, a business where three major groups of firms—large companies, supermarket chains, and the cooperatives—are prominent, is a case in point. The number of fluid milk processing plants has declined continuously since the 1960's and the average volume processed per plant has increased.

During the 1960's and 1970's, food chains became very involved in fluid milk processing. The chains either built state-of-the-art plants or purchased and upgraded plants that gave them much lower costs due to developments in automation at the time. They generally processed only high-volume products like whole and lower fat milks, leaving processing of cream and other minor products to other processors. Several other stimuli were often important to the retail chains' decisions, including labor contracts, State resale price control regulations, Federal investigations and rulings regarding business practices, the view that fluid milk processing was a potential growth area for the chains' bottom lines, and additional cost saving opportunities.

Resale price controls created a favorable situation for supermarket chains to invest in fluid processing in two ways. First, they essentially established a guaranteed margin for fluid processing, and secondly, the chains' own stores offered a guaranteed outlet for packaged fluid products. Federal rulings concerning business practices made backward integration into fluid processing an avenue to cost savings, as did labor relationships that allowed employees of chains to deliver fluid products to loading docks rather than stocking individual containers in milk coolers. For some food chains, the slowing of the boom in supermarket growth during the late 1960's and early 1970's led to searches for alternative growth opportunities. Other forms of retailing, such as drugstores and general merchandise stores were tried. Vertical integration was found by many chains to be a significant growth area.

In the 1980's the situation changed. Major readjustments by three major food chains — A&P, Kroger, and Safeway — led to disposals of fluid milk plants and, in the case of A&P, exit from fluid milk processing altogether. Changing State regulatory effects and the aging of plants that would have necessitated major investments for upgrades further convinced the food chains to exit fluid processing. Also, the labor contracts that had disadvantaged non-integrated operations largely disappeared. During the 1980's, the share of fluid milk product sales in Federal milk marketing orders that came from integrated chain supermarket plants averaged about 15 percent. That share had rebounded in the 1990's, reported at 17.3 percent in 1999.

Among the remaining fluid processing firms, integrated convenience store chains and dairy cooperatives have followed much the same patterns as the proprietary companies and the food chains. Fluid milk processors organized chains of dairy stores in the 1960's and about 40 percent of their sales were dairy products. The pioneer was Southland (known for its 7-Eleven chain) which started up in the 1930's but achieved its greatest growth after World War II. When Southland sold off its dairy processing/manufacturing operations and divested itself of several divisions of stores in 1988, the convenience store sector was dramatically altered. In the late 1970's, about 60 percent of the fluid milk sold by convenience stores came from their own plants. That percentage changed significantly after 1988, dropping to about 25 percent. About 16 percent of the

fluid milk sold through convenience stores in Federal milk marketing orders came from their own plants in 1999.

Dairy cooperatives have played a much larger role in bulk milk markets than in packaged fluid milk. Cooperatives' share of packaged fluid milk products production has hovered around 14 to 16 percent since the 1980's. Several cooperatives have sold their fluid operations to proprietary firms, or they have gone private in some other way. In the mid-1990's, Mid-American Dairymen sold a packaged fluid milk subsidiary it had acquired to Land O'Sun, a proprietary company. Agway sold H.P. Hood, a prominent New England fluid milk company, to private owners in 1996. More recently, Land O'Lakes sold its fluid milk operations to Dean Foods in July 2002.

The role of the large proprietary companies in the dairy industry is of particular interest right now. A merger between the two largest firms in the industry, Suiza, Inc. and Dean Foods, at the very end of 2001 dramatically altered fluid milk processing. A much larger firm, by some accounts accounting for 35 percent of the fluid milk volume processed, was created. In the maneuvering to meet antitrust concerns, a company called National Dairy Holding Group L.P. was created and organized as a joint venture between Dairy Farmers of America (DFA), the largest farmer-owned dairy cooperative in the United States, and other investors. DFA's interest in the Suiza Dairy Group (38.2 percent) was swapped for 11 fluid plants that were in areas where both Dean and Suiza had operations. These plants were added to Marigold and Crowley operations that the company had earlier acquired from Wessanen, a multinational firm that is leaving the dairy business.

All parts of the dairy industry, production, processing, manufacturing, distribution, and marketing, are facing structural changes. Fluid milk processing has undergone some dramatic changes in recent years, as the Suiza-Dean merger emphasizes, but these changes are only a continuation of longer term trends in the industry.

Source: *Livestock, Dairy, and Poultry Outlook, November 15, 2002, Economic Research Service, United States Department of Agriculture.*

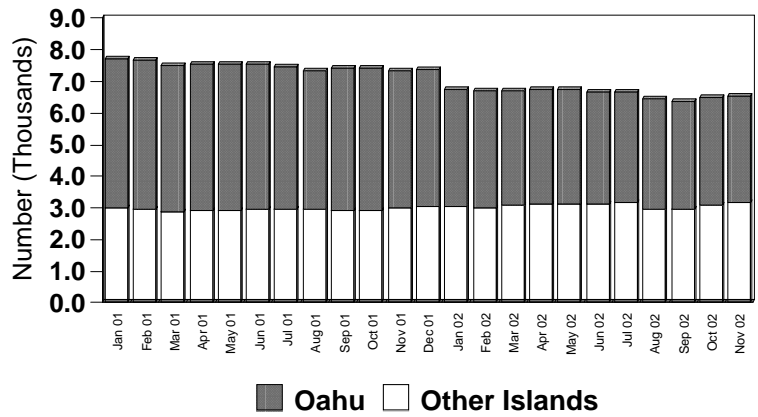
OCTOBER MILK DOWN



Hawaii's dairy cows produced 7.4 million pounds of milk in October compared with 8.1 million during the same month in 2001 and 7.5 million during the previous month. The cow inventory, both dry and in milk, numbered 6,500 head, 900 less than

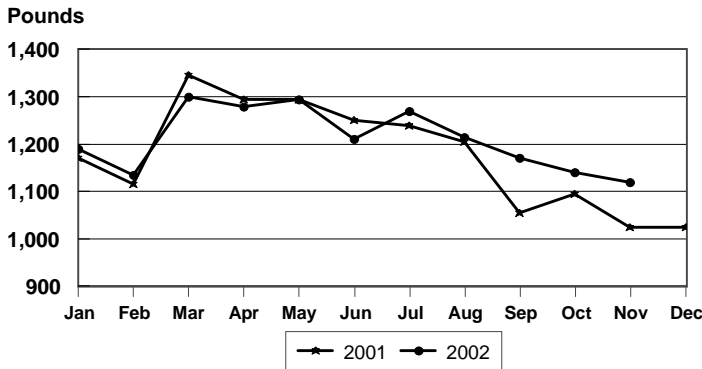
October 2001 but 100 more than September 2002. During October, cows averaged 1,140 pounds, 45 pounds more than October last year but 30 pounds less than September. Production for the the first ten months of 2002 was down 10 percent from the comparable period in 2001 to 81.4 million pounds.

Milk Cows State of Hawaii, 2001-2002



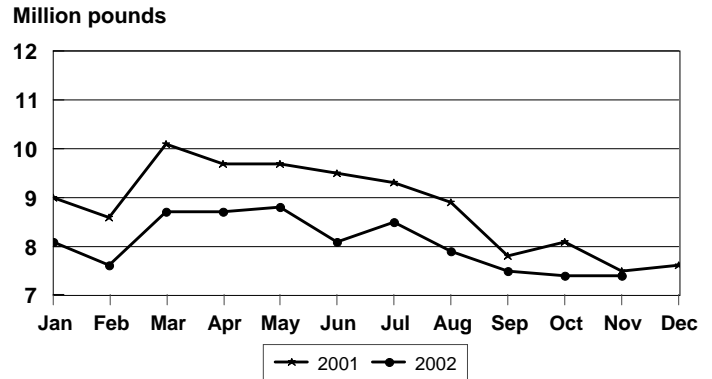
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Milk Production Per Cow, State of Hawaii, 2001-2002



HASS

Total Milk Production, State of Hawaii, 2001-2002



HASS

Milk cows and milk production, State of Hawaii, October 2002

County	All milk cows ^{1,2,3}			Milk per cow ³		Milk production ^{1,3}			
	Oct. 2001	Sep. 2002	Oct. 2002	Oct. 2001	Oct. 2002	Oct. 2001	Oct. 2002	Year-to-date	
	Number			Pounds		1,000 pounds			
Hawaii	2,940	2,980	3,100	950	930	2,795	2,890	28,725	29,355
Honolulu	4,500	3,400	3,400	1,175	1,320	5,285	4,495	62,000	52,005
State	7,400	6,400	6,500	1,095	1,140	8,100	7,400	90,700	81,400

¹ State totals may not add due to rounding.

² Includes dry cows and cows on non-commercial dairy farms.

³ Figures for 2001 are final but preliminary for 2002.

U.S. PRODUCTION UP 2.3 PERCENT

Milk production in the 20 major States during October totaled 12.0 billion pounds, up 2.3 percent from October 2001. September revised production, at 11.7 billion pounds was up 2.5 percent from September 2001. The September revision represented a decrease of 91 million pounds or 0.7 percent from last month's preliminary production estimate. Production per cow in the 20 major States averaged 1,544 pounds for October, 22 pounds above October 2001. The number of milk cows on farms in the 20 major States was 7.79 million head, 67,000 head more than October 2001, and 8,000 head more than September 2002.

Average farm prices, State of Hawaii, October 2002

Commodity	October 2001	September 2002	October 2002
	----- cents per pound -----		
Range steers and heifers ¹			
- dressed weight	77.5	76.0	75.0
- (live weight equivalent)	(42.5)	(41.7)	(41.2)
Cows ¹			
- dressed weight	51.0	53.0	53.0
- (live weight equivalent)	(28.0)	(29.1)	(29.1)
Market hogs ^{1 2}			
- dressed weight	113.0	113.5	110.0
- (live weight equivalent)	(84.8)	(85.1)	(82.5)
	----- dollars per 100 pounds -----		
Milk ³	26.30	23.30	23.40
	----- cents per dozen -----		
Eggs ⁴	90.5	83.0	84.5

¹Equivalent delivered slaughterhouse for sales on island of production and delivered shippers dock for off-island sales. Factors of 0.549 and 0.75 used to convert dressed weight prices to live weight equivalent for cattle and hogs, respectively.

² Includes roasters.

³ Beginning 1999, monthly average price rounded to the nearest dime.

⁴ Prices are for all eggs, equivalent delivered processing plant. Preliminary prices are based on processor reports from Hawaii, Kauai, Maui and adjusted Market Analysis & News Branch wholesale prices for Oahu. Final prices are based on processor reports from all islands.