

Abundance Of Beef Depends On Sufficient Producer Return

An abundance of beef in the years ahead depends upon the willingness of American consumers to pay sufficient price for this most popular of all foods to encourage production by ranchers and feeders, the president of the American Meat Institute said recently.

"On a continuing basis, they (consumers) cannot have both the beef supply they seem to want and the lower level of beef prices they seem to want."

This point was stressed by

Herrell DeGraff in testimony for the Special Studies Subcommittee of the House Committee on Government Operations which is investigating the rise in retail beef prices this year.

DeGraff said that beef prices had increased about 16 percent in the 12 month period ending July 1. Since July, cattle prices and wholesale beef prices have again declined.

In the past year, the farm to wholesale spread covering meat

packing costs showed no upward trend in spite of sharply increased labor and other costs. In both the second quarter of 1968 and 1969 the farm-to-wholesale margin was exactly the same, 10.4 cents per pound, DeGraff said.

"While we are fully aware of the current consumer dissatisfaction with what many consider to be beef prices that are too high, we point out also that cattle producers and feeders have complained just as vigorously over the past several years about their prices being too low," he said.

Beef demand in all recent years, he reported, "has been so great that constantly increasing supplies have been required to hold prices at a stable level."

Domestic beef production for 1969 is estimated in excess of 21 billion pounds, 56 percent above that for 1955. Per capita consumption has risen from 82 pounds in 1955 to 104 pounds for 1969.

DeGraff, a former professor of food economics at Cornell University, said that cattle prices have to rise if beef sup-

plies are to meet consumer demand in the years ahead.

Noting that it takes 27 months to produce cattle for market, DeGraff said that consumers have to distinguish between short-term and long-term relationships between beef prices and beef supply.

"First, if farmers and ranchers were to be discouraged this year over the future prospect for cattle prices, they might start to liquidate some of their present breeding herd. This would result in an immediate increase in the supply of beef in the market, and prices would, at once, be lower. But a year, or two, or three in the future, fewer calves will have been born, fewer fed cattle will have been marketed; the beef supply will be reduced — then prices to consumers will have moved proportionately higher."

"Second, if producers this year are encouraged instead of discouraged about the future prospects for cattle prices, they could be expected to respond by holding back some heifers to add to the cow herd. This hold-back would result in a reduced supply of beef immediately

available — and therefore consumers would experience higher short term beef prices than if no such holdback for breeding were to occur. But, over the next year, or two, or three, more calves would be born, more steers and heifers would be fed out for market, the beef supply would be expanded, and prices to consumers would be reduced, reflecting the increased quantity of beef in the market," he said.

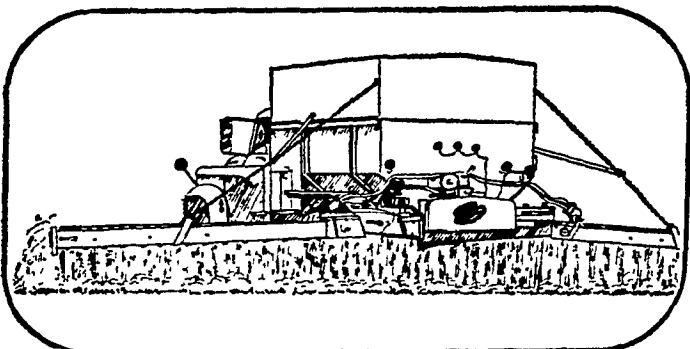
"No better example of the goose and the golden eggs has ever emerged in real life."

DeGraff said that an expanded cow herd is the only means available for providing more beef for a growing population and to continue the upward trend in per capita supply.

"These cows will not be added if farmers and ranchers become discouraged with their prospective cost-price outlook," he said.

All of the safety belts and headrests in production won't do a bit of good if there's a loose nut behind the wheel.

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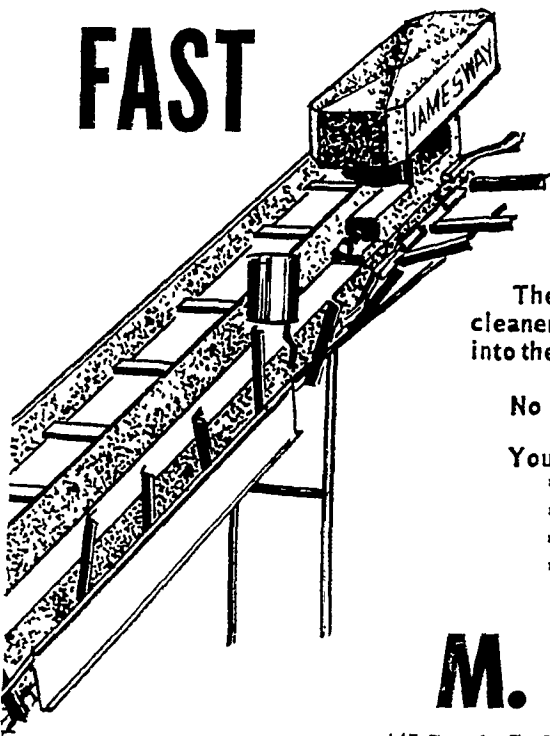
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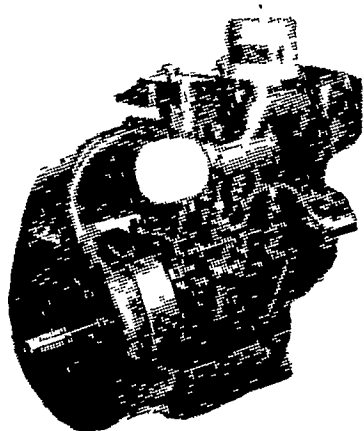
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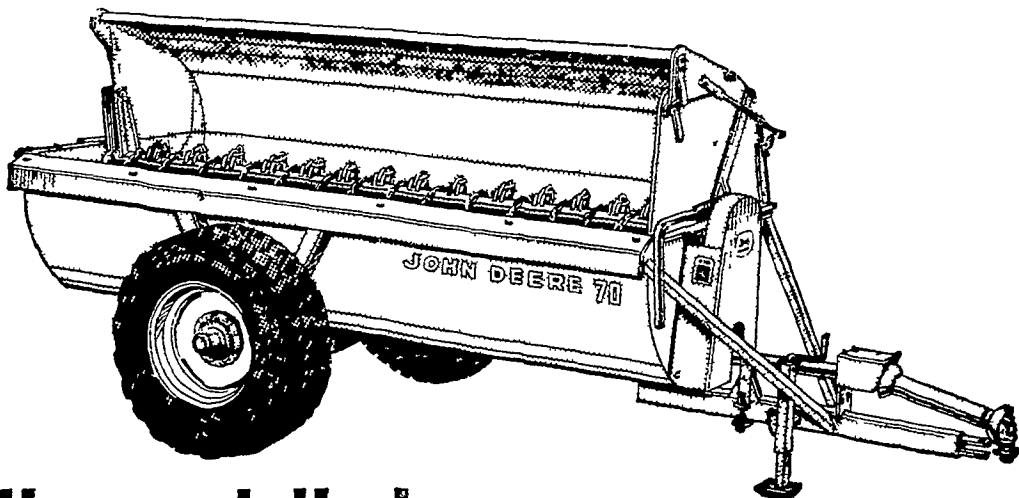
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