

Bigger Meat Supplies Seen This Fall

(An analysis by H. Louis Moore, Penn State ag economist.)

The approach of fall warrants a look at livestock supply and price prospects. Many producers wonder how things could change so much in just one year.

Last fall hog producers were winding up their most profitable year and now they are preparing for sharply lower prices.

Beef prices fell sharply last summer but this summer they advanced to levels slightly above a year ago.

Lamb producers have been disappointed with lamb prices which are about \$2 below a year ago despite reduced supplies.

Strong Meat Demand

The slowdown in the general economy has not reduced the demand for meat as was earlier feared.

Total red meat consumption in the first half of 1970 averaged just over 90 pounds per person, almost the same as a year ago.

Beef consumption was up 2.2 pounds because of a four per cent increase in domestic production in addition to a 19 per cent rise in beef imports.

Pork consumption was actually six per cent less per person in the first half of 1970. Veal consumption also dropped six per cent in the first half of this year. Lamb and mutton were at about the same rate as a year ago.

Continued strong demand will be the biggest strengthening factor in livestock prices during the months ahead.

Beef Outlook

Strong demand for beef is evident considering that retail stores moved four per cent more beef in the first half of 1970 at a steady to slightly higher retail prices. Choice grade beef averaged 98.6 cents per pound in June compared to 97.3 cents in January and 99.4 cents in March.

There may be some downward pressure on cattle prices this fall because of factors in and out of the beef industry.

Beef producers are expected to market three per cent more cattle in the July-September period and about the same number in the fall months as a year ago.

Weights are still running higher than a year ago with an adverse impact on prices. Although supplies of fed cattle will not be much greater than a year ago, producers will have a better chance of holding prices at near current levels if they market cattle as soon as the each grade.

Two factors that could have an impact on beef prices this fall are (1) an expected supply of broilers which will be five to seven per cent above last year and (2) a sharp increase in pork production. The old question, "will consumers substitute pork for beef?" may be answered this fall.

Cattlemen looking for feeder cattle will continue to be working against a negative price ma-

in. In mid August, feeder calves were selling for about \$39.50 at Kansas City, a fall \$4 above a year ago. The prospects for higher feed prices this year may tend to further reduce feeding margins.

Hog Outlook

In contrast to feeder cattle, feeder pig prices have dropped, reflecting the expected price situation for slaughter hogs in the months ahead. While mid-August slaughter hog prices are averaging \$3 to \$4 below a year ago, further price declines are

expected in the months ahead. Producers increased farrowings about 13 per cent this past spring and announced intentions to increase farrowings 17 per cent during the June to November period. If these intentions are carried out, we will have the largest fall pig crop on record. It may exceed the record fall crop of 1968 by as much as nine per cent.

The intended farrowings for this fall could be somewhat reduced from the intended 17 per cent increase. Some farmers go further when they saw how large the in-

crease was, may have marketed fed gilts for slaughter.

Prices on the futures market indicate that slaughter hog prices may fall to about \$19.50 in December. No recovery of prices is expected in the early months of 1971 as slaughter supplies will continue large.

Pork prices will get little support from other meats. Beef supplies will be at least adequate while broiler supplies will

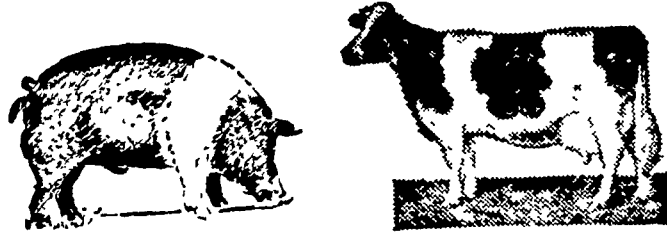
be five to seven per cent greater than a year ago throughout most of the fall.

Cold storage holdings of pork will be another burden holding prices down. Cold storage holdings on July 1 were about 22 per cent above a year ago.

The increased supply of meat expected this fall will be good news for consumers but will cause some belt tightening among livestock producers.

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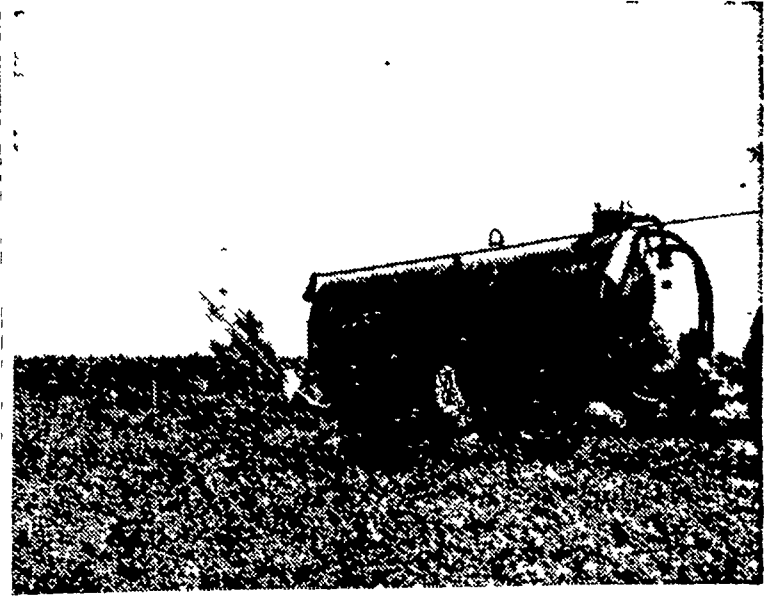
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