

Retail meat prices and demand expected to rise

WASHINGTON, D.C. - Following stable prices in the first half of this year, consumers will face higher retail meat prices during the second half. Smaller beef supplies, improved consumer demand, and higher marketing costs will more than offset continued large pork and broiler supplies. Third quarter retail prices for Choice beef are expected to average three to four per cent higher than in the Spring quarter primarily due to seasonal strength in demand. Hamburger prices could advance more than those for Choice beef, if slaughter of cows and forage-fed steers and heifers declines this Summer as expected. Further moderate retail price increases for both Choice beef and hamburger are expected this fall, according to USDA.

In advance in pork prices this summer over spring may average eight to 10 per cent with July-September pork supplies down slightly from the Spring quarter. Also, much of the recent advance in live hog prices has not yet been reflected at retail. The seasonal advance in broiler prices may average five per cent. This Fall increased pork production likely will result in some easing of prices for both pork and broilers, as well as temper the increases in beef prices.

Red meat supplies for calendar 1977 will be largely unchanged from the previous year. Beef production is expected to be down slightly with prices for Choice beef at retail up three to four per cent. With prospects for a seven to eight per cent larger pork supply, retail prices may average five per cent or more below year-earlier

levels. Through May, retail pork prices averaged 15 per cent under the year-earlier level. But with only a small increase likely in pork production during the second half of this year, some year-to-year increase in retail pork prices would then be expected.

Underlying these changes in retail meat prices are cyclical changes in livestock production. Total cattle slaughter will be down this year, but with an improving fed cattle market, slaughter of steers and heifers from feedlots may show a small increase. During the Winter quarter, fed marketings from the 23 States were two per cent more than a year ago. Marketings during the Spring and Summer quarters will be near those of a year earlier, and a small increase is likely this Fall. Nonfed slaughter is expected to continue below year-earlier levels during each quarter, barring unusually dry conditions.

With relatively large beef production and increased pork and broiler supplies, any price advance in the fed cattle market much above the late May levels is unlikely. For 1977, the price of Choice steers at Omaha may average in the low \$40-range, up from \$39 per 100 pounds in 1976. Second half prices may average between \$42 and \$45.

Cattle feeders responded to price strength in the fed beef market during April by increasing the number of cattle going on feed. Placements in the 7 States were record large for that month. Further increases in placements are anticipated for late Spring and Summer. With more heavy yearling cattle going on feed, larger Spring placements could

hold fed marketings this Summer near those of last year. Fed marketings this fall could be up at least 5 per cent. Depending on weather and crop prospects, cow and nonfed steer and heifer slaughter is expected to be below a year ago in each quarter. Although reduced from the very high levels of 1975 and 1976, supplies of nonfed beef are relatively large.

Feeder cattle price movements are expected to closely parallel fed cattle price changes this year. Feeder prices advanced fairly steadily through early May before turning lower. Little price increase is expected during the Summer. With a large corn crop and lower feed costs, feeder steer prices could advance to the mid- to upper-\$40-range by yearend. Dry conditions this Summer would force more feeder cattle to market and depress prices. An improved feeder cattle market could halt liquidation of the cow herd during 1978.

The cyclical upturn in pork output will likely continue through this Summer, though the rate of increase will slacken considerably. Hog slaughter is not likely to be up more than five per cent, and Fall slaughter may be below last year's level, despite the larger farrowings planned for March-May.

Producer intentions on March 1 were to increase the number of sows farrowing by 3 per cent during March-May and by five per cent during June-August. The increase indicated for March-May was below that reported in December. Although economic conditions improved, the severe winter and disease problems took their toll and probably

contributed to this change in intentions. The breeding herd is larger than last year, but significant year-to-year increases in farrowings will likely be delayed until this Summer.

Pigs born during the Summer and Fall this year will supply most of the slaughter stock for the first six months of 1978. If feed prices continue to moderate, the slowdown in the cycle already evident should support high enough hog prices to encourage continued increases in first half 1978 farrowings. As a result, pork production could be up again in 1978.



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