

Moore takes hard look at red meat market

UNIVERSITY PARK — H. Louis Moore, livestock marketing specialist at Penn State, reports the financial position of cattle feeders and hog producers has deteriorated sharply in recent weeks.

Though beef production was down about 5 percent in the first quarter of 1980, pork production increased 21 percent and poultry production increased 9 percent.

Livestock prices have decreased because of huge total meat supplies and a weakening general economy — which has reduced consumer purchases of many items.

Pain for Cattle Feeders

Fed cattle prices in recent weeks have averaged \$11 per hundredweight less than a year earlier.

Uncertain market conditions have made cattle feeders reluctant to sell the animals now finished and hesitant to purchase new feeder cattle. In mid-April, beef carcasses averaged 650 pounds, up 15 pounds from a year earlier.

Markets have never been more uncertain than at present, and projecting for the future is risky.

High interest rates and increased input costs are discouraging feeders from putting cattle in feedlots,

and this has caused a depressing of feeder-cattle prices. Adding uncertainty is the unknown influence of the 380,000 cattle in feed lots that can't be marketed for some time because of DES implants.

With a recession now upon us, it will be difficult for cattle prices to recover substantially in the weeks ahead. Some price improvement is expected, but prices aren't likely to move beyond the high \$60's until after mid-year.

Inventory Reduction Steps

The drop in cattle numbers observed over the past four years has stopped—but just barely.

It is estimated that U.S. cattle numbers on last January 1 totaled 11 million head, up just 100,000 head from 1979. Rebuilding is likely to continue only at a slow pace in 1980, because the high costs of financing a major expansion program will be beyond the resources of most farmers.

As more cows and heifers are held for breeding, the culling rate will be reduced and total beef supplies will be below year-earlier levels through 1980.

It Finally Happened

Sheep numbers on farms on January 1, 1980, totaled 12.5 million head, up 2 percent from the record low

(12.2 million head) of January 1979. This was the first increase in sheep numbers since 1960.

During the 19 years of decline, numbers fell by 63 percent. Due to sharply reduced production, lamb prices increased during most of the 1970's.

Per-capita consumption of lamb dropped to 1.6 pound in 1979, while the average retail price of lamb was \$2.46 per pound.

Ouch

With hogs selling at less than \$30 per hundredweight, all producers are hurting.

Basically producers are sending a \$20 bill along with each hog that goes to market. That is about how much cash costs are not covered at current market prices.

Prices have been low since the year began, but they really fell apart after the release of the pig crop report in late March.

While producers indicated in December that they would not increase farrowings in the December-February period, they did in fact increase farrowings by 3 percent. With the mild winter, producers saved 7.17 pigs per sow. The result was a pig crop 7.5 percent larger than that of a year earlier.

This insures a very large hog slaughter for the rest of 1980, but the magnitude of

increase over a year earlier will drop as the year progresses. Slaughter in the first quarter was 21 percent above the high levels of January-March of 1979. Slaughter in the second quarter will probably increase 11 percent and third-quarter slaughter will increase about 6 percent when compared with the same periods in 1979.

The sluggish economy, large cold-storage holdings of pork, and large supplies of poultry will prevent prices from increasing substantially during 1980. Prices may return to near \$40 for the seasonal peak in July, but producers can expect hog prices to average only in the mid to upper \$30's for the second half of the year.

Meat Consumption

Meat consumption on a per-capita basis in 1980 will be up about 4 pounds from 1979 and near the record of 1976 and 1977. Lower-priced pork and poultry are being substituted for beef by economy-minded consumers.

In 1979, the average per pound retail price was \$2.26 for beef and \$1.44 for pork. The difference will be even greater in 1980. In February 1980, the average retail price of beef was \$2.34 and \$1.33 for pork.

A differential of \$1.01 per pound can be a powerful influence on buyer habits.



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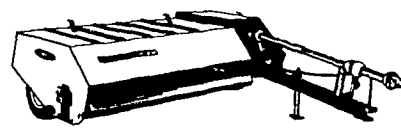
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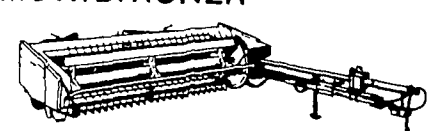
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