

# Lou Moore says it's "a season of surprises"

Agriculture is so interesting because each day brings some unexpected event. The summer of 1981 has been no exception with the sharp drop in grain exports, the impact of high interest rates, the failure of beef prices to recover, the prospects of a near-record corn crop, and now the shock of the Australian horse-meat incident.

## Australian Horse Meat Incident

Meat imports to date in 1981 have totaled about 300 million pounds, or about 7 percent of total U.S. supplies. Most of the U.S. imports are boneless lean meat; a small volume of hamburger and patties is also imported. Australia usually supplies more than half of the lean meat imported into the U.S.

In August, meat from a moderate-size Australian packer was impounded in San Diego for being trained with horse meat. All meat exported from Australia is required to be certified by the Australian government that it meets federal inspection.

The U.S. certifies these plants once a year but expects Australian inspectors to provide constant inspection. Obviously the system had broken down. Australian authorities say their own inspection indicates that a third kind of meat is in some of those shipments—kangaroo.

About one-half million pounds of meat has been imported by USDA inspectors as being unfit for human consumption. The following steps will be used by the USDA to prevent a repeat of this type problem—all Australian meat now in the U.S. will be tested to determine its species; all meat leaving Australia must be tested for species identification and kept under security until it reaches the U.S.; all countries shipping boneless meat to the U.S. will be notified to begin a species-determination program; and all meat will be further checked when it reaches the U.S.

The confusion of the impounding of this meat has aided the domestic market for boneless beef. Until this development domestic boneless beef was priced about 10 percent below a year ago.

## No Boom in Beef

The baseball strike proved that players and owners are poor judges of consumer behavior. They thought the fans couldn't do without baseball. But the fans have stayed away in droves. Note how the TV cameras try to avoid showing the empty seats in the stands.

The fans (consumers) haven't been rushing out to buy beef, either. The percent of disposable income spent by consumers for

beef during the second quarter of 1981 was around 2.05. This is the lowest percentage of income that U.S. consumers have ever allocated to the purchase of beef. In the mid 1970's, consumers were spending from 2.5 to 2.7 percent of their disposable incomes for beef.

Purchases of beef are likely to be on the weak side for the remainder of the year. It isn't that consumers don't like beef—it is just too expensive for consumers in an economic squeeze! Beef costs from about 88 to 90 cents per pound more than pork and about \$1.50 to \$1.55 per pound more than chicken.

Even so, the price of beef at the farm level has been at unprofitable levels for more than 2 years. Beef producers are not likely to see profits this fall, but 1982 should see profits return to the industry. Pork production should fall from 5 to 7 percent in 1982, but beef production will increase only slightly.

The economy should show improvement by then, thereby in-

creasing consumer beef purchases. The prospects of a bumper corn crop should bring down the breakeven price for cattle feeders, bringing them back to profitability. If high interest rates continue, it will hit the cattle business particularly hard.

## Too Many Feeder Cattle?

In recent weeks, replacement stocker beef cows in many markets have actually sold for less than those going to slaughter. This is an indication that expansion of cow herds is likely to slow even more from the reduced level at mid-year, when there were about 2 percent more cows than a year ago.

With lightweight feeder animals selling at about \$15 per hundred below the price of a year ago, the market is telling cow-calf producers that too many feeder cattle are being produced right now. If feed prospects continue to improve through October, it is likely that feedlot operators will

regain some enthusiasm for cattle feeding. They may bid up the price of feeders as they attempt to fill lots with animals so as to take advantage of large volumes of low-priced feed.

## Tax Bill

The tax bill passed in early August will provide tax cuts to consumers of 5 percent beginning October 1, 1981, 10 percent effective July 1, 1982, and 10 percent on July 1, 1983. The 5 percent tax cut could accelerate the annual growth rate in fiscal 1982 and bolster consumers' disposable incomes. However, consumers' allocation of the additional income between savings and consumption, and even between competing durable and non-durable items, raises uncertainty about the impact on meat prices.

It is almost a foregone conclusion that any strength in livestock prices will have to come from an increase in meat purchases by consumers.

## Royal Charolais sweeps Indiana State Fair

INDIANAPOLIS, Ind. — Seventy-five entries from five states completed in the Indiana State Fair Charolais Show held here.

Judge Jim Gillooly of Washington, Ind. selected animals owned by Royal Charolais Co., Youngwood Pa., as grand champion bull and grand champion female. RCC Vindicator 3262 was given the nod as grand champion and junior champion bull and RCC Royal Tempress 3377 was chosen grand champion

female. Royal Charolais Co. also won reserve champion bull honors on RCC Mr. Excalibur 3123.

Royal Charolais Co. also won calf champion and junior and senior female championships.

Derby Farms, Crestwood, Ky., won reserve champion and reserve senior champion female on DF Silver Liberty.


Royal Charolais Co. captured the group awards with their pair of bulls, pair of calves, get of sire, group of five head, and they also won the Premier Breeder Award.



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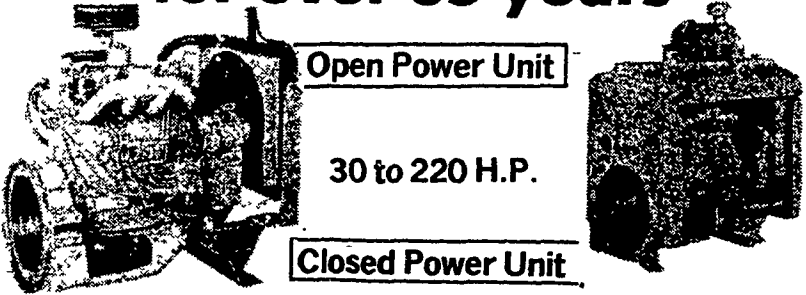
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