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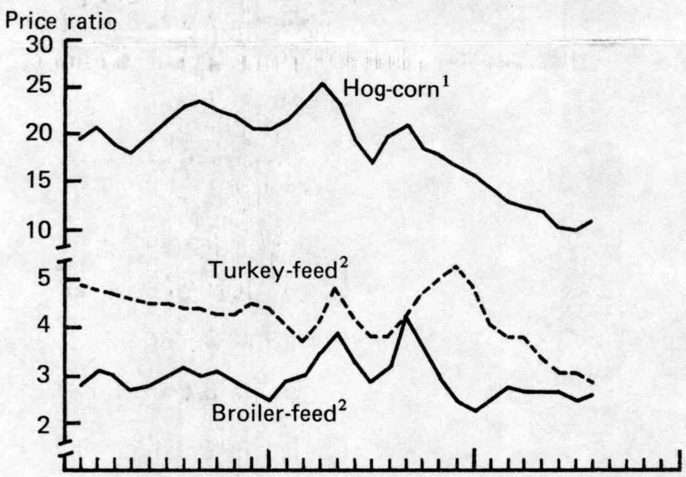
LIVESTOCK AND POULTRY PRODUCERS are cutting back production in the face of rising feed costs and declining meat and poultry prices. Profit margins as reflected by livestock-feed price ratios continue to decline, and many livestock and poultry producers are presently operating at or below the breakeven point. And while meat supplies are currently sufficient to apply downward pressures on prices, the longer-term outlook is for a reduction in available supplies in 1975 and correspondingly higher prices.

Price Ratios Reflect Declining Margins



¹Bushels of corn equal in value to 100 lbs. of liveweight.
²Pounds of feed equal in value to 1 lb. of liveweight.

The brunt of the problem stems from the sharp reduction in anticipated feedgrain production during the current year and the attendant rise in grain prices. Feedgrain prices rose more than one-third from mid-May to mid-August. A return to more normal precipitation patterns since mid-August brought some relief from the summer drought. However, the rains arrived relatively late and will likely have only a marginal effect on feedgrain production.

Broiler output is declining after an extended profit squeeze in the first half of 1974. Monthly broiler placements have been running from 7 to 16 percent below year-earlier rates since March, suggesting a sharp decline in broiler marketings this fall and winter. Furthermore, according to the latest USDA estimates, broiler marketings in the first half of 1975 may run 10 to 20 percent below the same 1974 period.

Turkey production was up substantially, about one-third, in the first half and will continue to exceed the year-previous level this fall, but by a smaller margin. Hatch rates have dropped below the year-earlier months since last May and it appears output will fall below year-previous levels by this winter.

Hog producers are apparently paring breeding stock inventories. Increased sow slaughter—about one-fifth higher than normal in July and August—will probably drop hog marketings below year-earlier levels by the end of this year. Pork production in the first half of 1975 could be down from 5 to 10 percent below the same 1974 period. The cutback in sow numbers suggests farrowings may also be down the first half of 1975 and that marketings in the second half of 1975 will also remain below year-earlier levels.

Beef production is probably the key influencing factor with respect to total meat supplies and prices during the next year. Although cattle inventories have been building in recent years, slaughter rates have remained relatively steady. As a result, over 90 percent of the nation's 138 million head of cattle were on ranges and grassland as of midyear. And while late summer rains provided some relief from the range and grassland drought conditions, many observers feel that present feed supplies are inadequate to maintain the herds at the current level over the coming winter months. Consequently, there will likely be a larger than normal increase in slaughter of cows, steers, and heifers either shipped directly from pastures or given just a brief feedlot finish in the remainder of 1974.

The number of cattle on feed was at the lowest level in six years as of July 1. Although there will probably be a smaller supply of fed cattle in the last quarter of this year, the increase in direct marketings of grassland or short-fed cattle will likely be more than offsetting. Weather and range conditions will likely influence the rate of cattle movement to markets in the first half of 1975. A good spring with adequate moistures could improve rangeland conditions and slow the flow of grassland cattle to slaughter. Nevertheless, the present cattle inventory level suggests that further downward adjustments are in order during 1975, a factor that will likely prevent a sharp recovery in cattle prices during the first half.

Although the increase in beef supplies will probably offset production declines in the hog and poultry sectors during the next few months, cutbacks in pork and poultry supplies are likely to become the overriding factor in the first half of 1975. Even if cattle inventories continue to be liquidated throughout the winter months it will, at best, only delay the impending price increases in the hog and poultry sectors.

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