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Federal Reserve Bank of Chicago - -

January 10, 1958

MEAT OUTPUT in the opening week of the new year was substantially below the year-ago level. Slaughter under Federal inspection was off 12 per cent, continuing the pattern of recent months as farmers stoke their cattle and hogs with additional amounts of abundant feed grains, including liberal servings of "soft" corn and "wet" sorghum grain.

The livestock inventory cannot be increased overnight; hence, the feeding of the existing supply to heavier weights and the delay in marketings.

Will this effort to utilize feed grains prove profitable? Or should some of the feed grain be salvaged in other ways, or allowed to spoil? Feeding to heavier weights increases the total output of meat, but more important, the delay in marketing may result in crowded livestock and meat markets later. Furthermore, markets possibly could be overloaded with heavy animals which yield the heavier and fatter cuts of meat lacking in consumer appeal.

The USDA, in a recent review of the situation, notes the possibility of big price discounts for overweight animals, both cattle and hogs. Aside from this possibility of large marketings of heavy cattle in the spring, that agency's experts expect cattle prices in 1958 to be as high as or higher than in 1957.

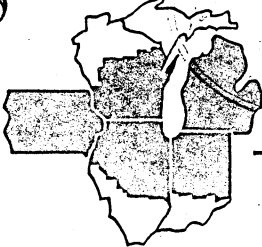
Hog marketings picked up during December from the unusually low November level, but continued below a year ago. At twelve major Midwest markets, December receipts were off 6 per cent from December 1956. According to USDA estimates marketings in the next two or three months are likely to run above the early 1957 volume, and prices should fall below the unusually high December level. However, this would be followed by spring and summer prices about equal to the year-earlier figures. But fall and winter (1958-59) prices are expected to fall below the recent levels as marketings reflect the current expansion in number of baby pigs. Meanwhile, in the months immediately ahead, the market appears very sensitive to "overweight" hogs.

Over-all, it still appears that Midwest livestock farms can look forward to a reasonably satisfactory 1958. The demand for food at retail remains strong, and the current rise in unemployment is not expected to reach proportions which would weaken it significantly. Despite the prospects for heavier animals and a cyclical rise in production of hogs, total per capita meat supply for the year is expected to be no larger than in 1957.

THE LONGER TERM prospects for meat have been reviewed recently by analysts of one of the largest meat packers. The results of such long-term looks to the future are necessarily uncertain, but nevertheless interesting to ponder.

Assuming continued rapid growth of population and

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further gains in per capita income, it is expected that consumption of meat would increase about 10 pounds per person over the next twenty years. Within this framework, the production increases required are on the order of: beef, 27 per cent; pork, 46; lamb, 12; chicken meat, 35; and turkey meat, 14 per cent. These are impressive figures. But twenty years is a long time.

Over the past twenty years production has changed as follows: beef, +107 per cent; veal, +57; pork, +40; lamb and mutton, -19; total "red" meat, +65 per cent. Output of poultry meat increased about 100 per cent.

In both 1938 and 1957 farmers were geared up to produce larger amounts of meat animals than they were in fact producing. Surpluses of feed grains were available. Only in a few war years has there been any strain on agriculture's productive capacity. Typically, the industry shows considerable "elbow room." Nevertheless, questions are raised periodically as to the adequacy of future food supplies. The question cannot be answered categorically. But our past experience would indicate that there are more challenging aspects to the meat picture than questions pertaining to the adequacy of future supplies.

Sizable and continuous adjustments must be made in response to population shifts—movement of workers from the farms and the South to jobs in industrial areas, migration of sun-worshippers from the North to the South and the West, etc.—as these affect consumption patterns and production areas. The great surge of married women into the labor force maintains a premium on "convenience" meats and spurs researchers to seek new ways to provide consumers tastier and more convenient products. Dietary shifts, whether based on fact or fancy, can force changes. The growing disinterest in "fat" meat and the development of greater interest in meat for babies and oldsters are illustrative. Also, "eating out" often calls for different meat than eating at the family table, whether the eating out is of the back yard or the night club variety.

THE GUIDING LIGHT for livestock producers and meat processors and distributors, as for most other kinds of farms and businesses, must be the consumer and his ever shifting tastes. In an economy where there is great variety and abundance of foods and other kinds of goods and services, the consumer can afford to be choosy and he is. The price penalty of providing products he doesn't like can be great.

Research Department