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OUTLOOK FOR LIVESTOCK AND MEATS IN 1962

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The outlook for 1962 is for hog pricessomewhat below the 1961 level; lamb prices improved;over 1961; and an average farm price for all cattle and calves sold about the same as for 1961.

Some changes in prices for certain grades and classes of cattle are in prospect for next year. Fed cattle prices next spring and early summer are not expected to break as sharply as they did this year, but slaughter cow prices are expected to be lower during the late summer and fall due to an increase in cow slaughter.

CATTLE

Cattle slaughter this year will be in the neighborhood of 25.4 million head--up about 1 percent from the 25.2 million head slaughtered commercially last year. On the other hand, calf slaughter dropped from 8.2 million head in 1960 to about 7.7 million head this year.

Some significant patterns of slaughter are disguised in commercial slaughter totals. Whereas total commercial slaughter in 1961 will be about 1 percent above 1960, steer and heifer slaughter will be up about 5 percent. The increase in steer and heifer slaughter has been largely offset by a 9 percent reduction in cow slaughter.

Cow slaughter increased in 1960 after two years of below average slaughter. This increase is accredited to the generally pessimistic attitude that prevailed in the cattle industry last summer and fall. Excellent wheat pasture and improved cattle prices in the winter of 1960, coupled with a downward revision in cattle numbers this spring, and improved outlook for business conditions this summer, all contributed in turning the attitude of pessimism into one of optimism. Cow slaughter fell below year-earlier levels in March of this year and has continued under 1960 for the balance of the year. On the other hand, an expanding cattle feeding industry sent more heifers through feedlots and on to slaughter this year than in 1960.

In spite of the fact that slaughter increased only 1 percent from last year, beef production rose by about 3 percent. This increase in beef production is explained by the heavier average weight per head slaughtered this year. Average dressed weights rose as a result of increased live weights for steers and heifers slaughtered as well as the decreased proportion of cows in total slaughter.

The domestic supply of beef was augmented by somewhat larger imports of beef this year than last, bringing the total supply of beef to the record level of 15.6 billion pounds--up 3-1/3 percent from last year. With a population increase of 1.6 percent, per capita consumption in 1961 was boosted to the record level of 86.7 pounds--about 2 percent above last year and also 2 percent above 1956, when commercial cattle slaughter of 26.9 million head exceeded this year's slaughter by 6 percent.

A good price recovery in the fall and early winter of 1960 brought the price of Choice slaughter steers at Chicago from a low of $24.80 in September of 1960 to a high of $27.42 in January of this year. The January 1961 price was a full dollar above January 1960. Prices dropped steadily from January to July--reaching a low in July of $23.38 at Chicago.

This 18 percent drop in the price of Choice slaughter steers from January to July is largely the consequence of the increase in supply of beef that occurred in the late spring early summer period. Commercial beef production for the three months, May, June and July, amounted to 3.9 billion pounds--up 7 percent from 1960. The beef supply during these three months would be equivalent to an annual production of 16.6 billion pounds or an annual per capita consumption of 91.9 pounds. Competition from a 29 percent increase in poultry production during the same period of time also helped weaken beef prices this summer.

Sharply lower fed cattle prices and below average feeding profits apparently did not dim the enthusiasm of the cattle feeders. A good spring grass market plus strong feedlot demand carried feeder cattle prices on up to an April high of $26.81 for Choice feeder steers at Kansas City. Prices dropped somewhat through the summer and fall but in general have held up rather well in light of the drop in fat cattle prices.

Utility cow prices averaged above 1960 in January and February and then held slightly below 1960 prices through July. The below average seasonal price decrease for cows this fall is due to the low level of cow slaughter. Slaughter cows have been above year-earlier levels since August.

The increase in cattle slaughter this year was more than offset by a larger calf crop, a reduction in calf slaughter, and slightly more live cattle imported from Canada and Mexico. Consequently the cattle and calf inventory is expected to show a larger gain by next January 1, than that achieved during 1960. The cattle and calf inventory January 1, 1962, is expected to range between 98.5-99 million head. Most of the gain is expected to be registered in the cow and calf categories.

The larger beginning inventory of cattle and calves January 1, 1962, will provide for an increase in the number of cattle slaughtered commercially. At the outset, we are not considering liquidation of cattle numbers in 1962. A study of range conditions in the 17 Western States from 1922-61 does not turn up clear evidence of a range condition cycle on which one could predict a widening of the drought that existed in the Northern Plains this summer.

The maximum cattle slaughter that could be sustained in 1962 without reducing cattle numbers would be about 28 percent of the beginning inventory or about 27.7 million head, providing that calf slaughter does not absorb a larger proportion of the calf crop than in 1961, and imports of live cattle are about equal to the average for the past four years. However, in the light of the strong market for feeder cattle in 1961, and the large supplies of feed and forage on hand, cattle numbers are expected to expand further in 1962. Therefore, commercial slaughter is expected to be in the neighborhood of 26.5 million head with cattle numbers increased by the balance.

An inventory increase of the magnitude that occurred in 1960 and 1961 and is in prospect for next year is commensurate with the rate of growth of population and per capita disposable income. A sustained increase in cattle numbers in the neighborhood of 1-1/2 million head annually probably would lead to gradually improving cattle prices through time.

This year, beef production increased more than slaughter, due to an increase in the average dressed weight per animal slaughtered. Next year the reverse is expected to be true. A commercial slaughter of 26.5 million head would be 4 percent above this year's slaughter. However, commercial beef production is expected to be up only about 3 percent.

A little higher feed grain price level next spring and summer are expected to hold down the average live weight of fed steers and heifers somewhat. Furthermore, total commercial slaughter is expected to include substantially more cows than this year and slightly fewer fed heifers. For these reasons, average dressed weight is expected to be slightly below that of this year.

The increase in cow slaughter envisioned for 1962 is felt to be the natural result of a decreased rate of cull of cow herds for the past four years. This low rate of cull may have resulted in the accumulation of some 4.0 million head of aged cows which are expected to be replaced during the next 3-4 years. If cow slaughter increases as expected, then imports of processing beef would be expected to decline somewhat the last half of 1962.

The number of cattle and calves on feed in 26 States October 1 of this year was 8 percent above the October 1, 1960, inventory. This increase in cattle on feed is due to third quarter placements 14 percent above last year.

Marketings out of feedlots during the first quarter of 1962 will depend to a great extent on placements the fourth quarter of this year. Forty-six percent of the cattle marketed from January through March 1961 were placed on feed in the fourth quarter of 1960. Next year we might see more of the first quarter marketings come out of the carryover from October 1 and a fewer from fourth quarter placements.

Relatively stable prices are expected for fed cattle throughout most of the first quarter of 1962. Following this, prices are expected to move downward through the spring and summer, but a sharp drop similar to that of this year is not expected. By May, prices are expected to be above this year's level and are expected to remain above throughout the summer.

The increase expected in cow slaughter next year will be accompanied by lower slaughter cow prices, especially for Canner and Cutter cows. This price weakness will be most pronounced in the late summer and fall. Some of the impact of the increase in domestic cow slaughter will be offset by decreased imports of processing beef the latter part of next year. Price weakness will be less pronounced for Utility and Commercial cows and will also be reflected to some extent in lower grade steers and heifers.

HOGS

Hog producers enjoyed a good year pricewise through September. The 1960 fall pig crop, 3 percent below that of 1951, has held hog slaughter and pork production below 1960 levels through September of this year. The 1961 spring pig crop was 7 percent above last year, but the increase was concentrated in April and May. Consequently, slaughter did not reflect the gain in spring farrowings until October.

Prices averaged $17.49 at 8 markets during the January-September per period and reached the year's high of $18.47 the last half of August as a recovery in cattle prices added some strength to the hog market.

Weekly slaughter in Federally Inspected plants during October has averaged 8-10 percent above year-earlier levels and prices dropped from $18.40 the last week of September to $16.37 the last week of October. Slaughter will continue high through November but the greatest price drop has already occurred.

Producers in 10 Corn Belt States indicated on September 1 this year about the same June-August farrowings as in 1960. They reported intentions to increase September-November farrowings by 5 percent. Therefore, this year's fall pig crop likely will be 2-3 percent above last year's with the increase coming an the last half of the fall farrowing season. The increase in fall farrowings will not affect marketings substantially until next spring.

The hog-corn ratio at the farm level likely will not go below 15 this fall and winter. This would suggest a further expansion in next year's spring pig crop. Producers in 10 Corn Belt States also reported intentions in September to increase December-February farrowings by 4 percent. Consid-sidering the fact that the bulk of the increase in this year's spring pig crop came in April and May, we would not look for a similar large increase again over the large farrowings of this April and May. However, some increase in farrowings the second half of next year's spring pig crop is expected.

If the increase in the 1962 spring pig crop is nominal, say somewhere in the neighborhood of 3-4 percent, serious price consequences would not be expected. An increase of this magnitude probably would boost per capita consumption of pork by about 0.5 pound and would not pose a per capita consumption of the nature that would require a sharp downward adjustment of prices. On the other hand, if the increase in next year's spring pig crop exceeded 5 percent, per capita supplies next fall would be in the range where only sharply lower pork prices could move the volume of pork production into consumption.

SHEEP AND LAMBS

One of the highest rates of lamb slaughter since 1955 was maintained during September and October 1960. This high level of slaughter took lamb prices to a discouragingly low level. Before much of a seasonal comeback could be achieved in price, slaughter again increased and prices were kept under pressure of a high slaughter rate throughout all of this year.

First quarter slaughter in 1961 exceeded that of 1960 by 10 percent. Sheep and lamb slaughter built up sharply during this spring with aFFeder--F ally Inspected slaughter of 1,358,000 lambs in May of this year. This is the largest slaughter for a May since 1946 and the largest FI slaughter for one month since 1956. Part of the slaughter the first half of this year came from ewe lambs that were originally intended for flock replacement. Wheat pastures also added to slaughter supply. The Eastern markets were so supplied with lamb from Texas and the Corn Belt, that a price d differential sufficient to enable early California lambs to move to the East Coast did not develop. Therefore West Coast markets had to absorb the complete California early lamb crop with sharply lower prices resulting.

Lamb prices are beginning to show some tendency to strengthen in the last week or two. This tendency likely will continue in the coming weeks with a rather good price recovery in the winter months. A recurrence of last year's weak first quarter price structure for lambs is not in prospect for next year. Slaughter this year included a large number of ewe lambs that were originally intended for flock replacement. We will not have this source of slaughter lambs next year. Furthermore, fewer lambs are expected to be on feed this year than a year ago. All of this points to a strong late winter lamb market. A later Easter in 1962 and decreased competition from old crop lam

A later Easter in 1962 and decreased competition from old crop lambs likely will produce a good market for early spring lambs.

Sheep and lamb numbers are expected to be near 32 million next January--almost a million below this year's inventory. Consequently the 1962 lamb crop is expected to be bbelow this year's, which will in turn tend to strengthen lamb prices throughout next year.