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OUTLOOK FOR FOOD SUPPLIES AND PRICES

Talk by Thomas J. Lanahan, Jr.
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Our food supplies continue to be more than adequate to meet domestic needs. In addition, for most food groups, there will be enough food remaining after domestic use to export near-record quantities of our food to other lands and to have substantial reserves on hand at home.

Of course, for some foods, such as most livestock products, we consume most of our current production, but for others we have large reserves on hand. For example, in 1962 we probably will consume only 53 percent of our supply of food fats and oils, 54 percent of our potatoes, 58 percent of our canned fruits and vegetables, and only 6 percent of our total grain supply. Some of the remaining supplies go into nonfood uses, exports and Government holdings, but much is also the normal carryover from year to year. If need be, most of this could be used domestically for food.

Our abundant food supply makes it possible for us to be well fed -- whether considered on the basis of personal likes and dislikes or from a nutritional standpoint. Per capita consumption of food as a whole this year -- the various foods weighted together with constant prices -- will probably average a little higher than last year. The caloric value (food energy) of the food consumed per capita in 1962 has changed little from last year and in 1963 probably will average about the same.

Consumers continue to spend more in total for food, but they use a smaller proportion of their income for such outlays. According to latest indications, they spend on the average about 19 percent of income for food compared with 26 percent in 1947-49.

Of course, much of the increase in spending for food per capita is for higher quality, more emphasis on higher cost items, and more services with our foods either in processing or distributing the food. Phil Dwoskin, who is next on the program, will go into more details on food marketing and new food products.

This year consumer spending for food probably will increase some $3\frac{1}{2}$ to 4 percent over last year. This increase will be accompanied by a gain of around 5 percent in disposable income and an increase in average retail food prices of almost one percent.

As I indicated, food consumption per capita this year should average a little above 1961 and, in addition, there probably will be a further small increase in per capita use of marketing and processing services. These gains in per capita use, together with the almost 1 percent higher retail food prices and a population increase of about 1.6 percent, account for the rise in consumer expenditures for food.

Consumers will probably increase their outlays for food again in 1963, but not by as much as this year. Levels of economic activity in prospect for 1963 point to a modest gain in consumer income and in the demand for food. Per capita consumption of food as a whole and livestock products in particular, will likely again register very small gains in 1963.

Retail prices of food in the fourth quarter of 1962 probably will average slightly lower than in the third quarter because of seasonally larger supplies, particularly of meat, poultry, fruits and potatoes. For the year as a whole, retail food prices will probably increase over last year somewhat under 1 percent, slightly less than for other goods and services. Barring a major worsening of international tensions, there is likely to be little overall change in retail food prices in 1963 from this year. Retail prices of livestock products may average slightly lower and prices of foods from crops fractionally higher. Prices of food consumed away from home, including all the services that go with purchased meals, probably will continue their long-term upward trend, while retail store prices of foods, aside from the usual seasonal variations, are likely to change little.

The supply of <u>meat</u> per capita for the fourth quarter of 1962 is increasing and is expected to total a little larger than in the fourth quarter of 1961. This gain will include larger supplies of beef, pork, and veal. Next year, another increase of about a pound is in prospect, with larger beef and pork supplies only partially offset by smaller supplies of veal and lamb.

Retail prices of meat in 1963 may average close to this year. Lower retail prices for pork will be about offset by higher prices for lamb and possibly slightly higher beef prices. Consumption of meat is expected to be well maintained throughout 1963, but broiler supplies will likely be larger and offer red meat more price competition next year, especially in the first half of the year.

<u>Beef</u> supplies for the fall quarter of this year probably will be nearly a pound above consumption per capita in the summer quarter and the fall. The outlook for beef next year is for a rise of about 1 pound per capita over that for 1962.

Retail prices of beef are expected to decline from their September peak during the remainder of this year. The reduction in prices would affect all cuts of beef, reflecting a larger slaughter of both fed cattle and cows.

In 1963, some increase is expected both in the marketing margin and in the demand for beef. Therefore, despite slightly higher per capita supplies of beef, the average retail price for beef may average the same to slightly above 1962.

A seasonal increase in veal supplies is anticipated in the fourth quarter of 1962, but per capita supplies are likely to be close to a year ago. Veal per capita consumption in 1963 is expected to decline some from this year's rate, and retail prices are expected to change little from 1962 levels.

Supplies of pork are increasing seasonally from their summer low. But per capita consumption in the final quarter of 1962 probably will be somewhat below a year earlier.

Retail prices of pork rose rather sharply through the summer and were higher this summer than last. While they are declining seasonally through the fourth quarter, they are expected to stay a little above the same months of 1961.

Per capita pork consumption this year probably will reach 63 pounds, about 3/4 of a pound above 1961. Prospective pig crops this fall and next spring indicate that supplies available will result in even larger pork consumption in 1963. Larger supplies probably will lead to retail prices a little below 1962 levels. The seasonal high in prices will still come in the summer, and prices should continue rather stable throughout the entire year.

Per capita lamb consumption for this fall is estimated to be a little under a year earlier and this past summer. This reduction reflects the 4 percent smaller lamb crop this year. Retail prices of lamb will likely change little from current levels through the end of the year, but continue above year-earlier levels.

Lamb consumption per capita in 1963 is expected to be down -- possibly a half pound from the 5.0 pounds in 1962. Consumption in the winter next year may be as much as 20 percent lower than the unusually high consumption of a year earlier. For 1963 as a whole, retail prices may average somewhat higher than this year, if supplies are reduced as anticipated.

Supplies of poultry meat for the last quarter of 1962 are likely to be about as large as the record quantities a year ago. A large increase in broiler production in November and December will more than offset smaller holiday supplies of turkey.

Total supplies of chicken for 1962 are running below a year ago, and per capita consumption is estimated at slightly below the record-high 1961 rate.

Indicated large slaughter of broilers in the closing months of 1962 probably will cause retail prices to decline below both the current and year-ago levels by the end of the year. Significantly larger broiler output and lower retail prices are now indicated for 1963, at least through the first half, maybe bringing about a record-high level of per capita use.

Per capita use of turkey in 1962 is expected to total slightly under last year's record consumption. Turkey supplies in the last quarter of this year are likely to be 8 percent below a year earlier. Therefore, retail prices in coming holiday seasons are likely to average moderately higher than in the same period of 1961.

Stocks of frozen turkey at the start of 1963 will be down sharply from the very large year-earlier levels. Consequently, in the first half of 1963, turkey prices probably will be higher than in the same period of 1962. For 1963 as a whole, another large turkey crop is in prospect, probably second in size only to the record 1961 output. Of course, much of this goes into storage, and around two-thirds of annual production is consumed in the last 4 months of the year.

Though egg supplies are increasing seasonally in the fourth quarter of 1962, per capita supplies will be below the year-earlier level. Per capita egg consumption in 1962 is now estimated at 324 eggs, about the same as a year earlier for the first time in a decade. But, retail egg prices will average lower this year than last. The downtrend in egg consumption since 1951, despite generally lower prices and rising incomes, reflects the steadily diminishing consumer demand for eggs.

Lower egg production is likely to continue through the early part of 1963. Retail egg prices the first quarter of 1963, although likely to be dropping seasonally, may average higher than in the same period of 1962. But as 1963 progresses, egg production may increase faster than a year earlier, possibly dampening the usual late spring-to-fall retail price rise and resulting in lower prices in the second half of 1963.

Milk supplies are down seasonally, but are running above a year earlier. It appears that for 1962 per capita consumption of all forms of milk combined will average about the same as the year earlier -- after 6 straight years of declines. This is due to increased use of dairy products per capita in Government distribution programs and a slowdown in the sharp drop in per capita consumption of fresh fluid milk since 1957. But average per capita consumption of all dairy products combined from commercial sources -- that is, excluding use in distribution programs -- probably will decrease again in 1962. Next year, the per capita consumption of all dairy products combined from all sources likely will resume the 1956-61 downtrend.

Cheese consumption per capita might be up again in 1963 because of the Government distribution programs, but per capita use of evaporated milk, cream, and fresh fluid milk are expected to decrease. Use of nonfat dry milk, ice cream, and butter will be close to the 1962 consumption rates.

Retail prices of fluid milk are expected to show a smaller-than-average seasonal rise in the remainder of 1962, because of heavier-than-usual fall supplies. In the first quarter of 1963, these prices may be lower than in the same period of 1962, but for the balance of 1963 they may average about the same.

Supplies of food fats and oils this fall are at record levels. As the seasonal increase gets underway, more than adequate quantities of all edible vegetable oils and animal fats are available. Retail prices of food fat products this fall are expected to average about 2 percent below a year earlier. Per capita domestic consumption of food fats and oils continues steady, leaving record amounts available for export. Next year, domestic per capita consumption is likely to continue near the long-term rate.

The downtrend in per capita butter consumption appears to have slowed this year as increased amounts are being distributed through the welfare and school lunch programs. This probably is part of the explanation of why margarine consumption per capita declined for the first time in 7 years. Consumption of cooking fats per capita in 1962 is up only slightly, and is not expected to change much next year. Consumption per capita of cooking and salad oils increased sharply this year and is likely to at least maintain the same rate next year.

Retail prices of food fat products decreased during the summer but are expected to average near current levels during most of 1963.

Supplies of fresh and processed fruit during the remainder of fall and in the first half of 1963 probably will be a little larger than in the same period of 1961-62. Prospects are for supplies of fresh citrus fruit from now until next summer to be somewhat larger than a year earlier.

Compared with a year earlier, retail prices for fresh fruit through this fall and winter probably will average a little higher for apples and lemons, lower for oranges, and about the same for most other fruits. Among processed items, prices are likely to be somewhat higher for dried fruits, moderately lower for canned and frozen citrus juices, and not greatly changed for most canned and frozen deciduous fruits.

Supplies of fresh vegetables are declining seasonally and are materially smaller than a year earlier. Substantially larger supplies of canned vegetables than a year earlier probably will be available into mid-1963 as a result of a larger carryover stock and a larger pack. Barring a sharp upsurge in demand, because of the international situation, these heavier supplies for the next 6 months are likely to mean slightly lower retail prices than a year earlier. Supplies of frozen vegetables are likely to be a little smaller than a year ago through next spring. Supplies of potatoes for fall and winter marketing are about 6 percent smaller than those of a year earlier, but still moderately larger than anticipated needs. With the supplies large, retail prices of potatoes into spring are expected to continue near October levels, but above the low levels of a year earlier.

Consumption of cereal food products per capita in 1962 and 1963 should average about the same as in recent years. Retail prices of cereal and bakery products in 1962 have continued their long-term upward trend, although increasing at a somewhat faster rate than in 1961. This general trend is likely to continue as a result of increases in unit marketing costs and in use of marketing services.

Further details on the general food consumption picture and on the outlook for food supplies and retail prices can be found in the outlook issues of the National Food Situation, the Marketing and Transportation Situation, and the various commodity situation reports. Of course, all this gives the national picture. There are considerable deviations from these national averages in the various parts of the country.

This is where your job comes in -- interpreting this national picture to the people in the States in the light of local variations in supplies, prices, marketing services, tastes, and preferences. But it appears likely that such regional and urbanization differences have diminished in the post-war years, mainly because of the efforts of extension workers, other educators, advances in marketing, and the general economic well being of the country.