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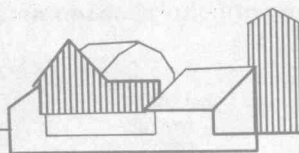
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**Beef production expected to turn up**

U.S. beef production declined again in the first quarter, extending the downtrend that has prevailed since 1986. But with an increased number of cattle in feedlots, analysts are expecting an upturn in production during the remainder of the year. The projected rise for beef, though modest, will probably coincide with an upturn in pork production and continued expansion in poultry production. Cattle prices, which have recorded successive new average annual highs in each of the past three years, may dip below year-earlier levels in the months ahead.

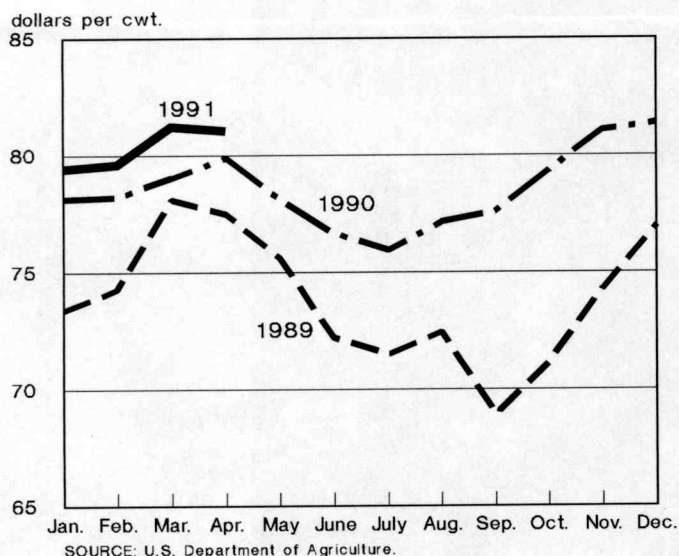
Per capita production of beef has been trending downward the past five years. At 91.0 pounds (carcass weight basis), per capita production in 1990 was down 2.5 percent from the year before and down a tenth from the most recent cyclical high in 1986. From a longer term historical perspective, per capita beef production in 1990 was the lowest since 1963 and nearly a fourth below the record-high set in 1976 when heavy financial losses among cattlemen triggered extensive herd liquidations.

The downtrend continued in the first quarter of this year as beef production trailed the year-earlier level by more than 2 percent. However, USDA reports that continue to show large gains in the number of cattle moving through

feedlots raise expectations of an upturn in beef production. The most recent report indicated that the number of cattle on feed in the 13 major states as of April 1 was up 8 percent from a year earlier and that the number of those cattle intended to be fed out and sold to slaughter plants during the second quarter would be up 6.5 percent. For various reasons, most analysts discount the reliability of the indicated increase in feedlot activity as a barometer of near-term cattle slaughter. In particular, the marketing intentions of feedlot operators the past three quarters have overstated actual marketings by 3.5 to 4.5 percent. The pattern of overstated marketing intentions appears to be holding this spring. Preliminary figures show that the number of all cattle slaughtered in federally-inspected plants during the seven weeks ending May 18 continued to lag the year-earlier level.

While there is considerable uncertainty about the future level of fed cattle marketings, the latest USDA projections suggest that beef production will rise seasonally in both the second and third quarters before declining in the fourth quarter. On a year-over-year basis, the USDA is expecting a 2.4 percent rise this quarter and gains of roughly 3.5 percent in both the third and fourth quarters. The expected increase is likely to coincide with an upturn in pork production and continued gains for poultry. Both pork and poultry production are projected to range 4 to 5 percent above year-earlier levels during the final three quarters of this year. Combined with the first-quarter performance, these projections imply that production of all meat in 1991 will be up 3.5 percent from last year and up nearly 5 percent from two years ago.

**Choice steer prices**



Choice steer prices the last two quarters have maintained a record-high average of more than \$80 per hundred-weight. But in recent weeks, prices have retreated as beef production has risen seasonally. The downtrend is expected to extend into the summer months and be followed by higher prices in the fall. Cattle prices during the remainder of 1991 may average a little under the high year-earlier levels if beef production turns up as expected. But in general, prices are likely to remain above the production costs of most feedlot operators. Assuming prospects for a normal harvest and stable feed costs, the break-even cost of production for most cattle now in feedlots will likely hold in the low- to mid \$70 per hundredweight range.

Gary L. Benjamin

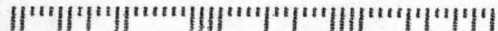
### Selected agricultural economic indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
<b>Prices received by farmers (1977=100)</b>	April	149	0.0	-1	1
<b>Crops (1977=100)</b>	April	131	2.3	0	-7
Corn (\$ per bu.)	April	2.44	2.1	-3	-5
Oats (\$ per bu.)	April	1.17	0.9	-19	-48
Soybeans (\$ per bu.)	April	5.76	0.0	-1	-21
Wheat (\$ per bu.)	April	2.63	4.0	-25	-35
<b>Livestock and products (1977=100)</b>	April	166	-1.8	-2	7
Barrows and gilts (\$ per cwt.)	April	50.90	-1.7	-6	36
Steers and heifers (\$ per cwt.)	April	82.30	-0.2	4	9
Milk (\$ per cwt.)	April	11.30	-0.9	-16	-9
Eggs (¢ per doz.)	April	65.1	-19.1	-9	-2
<b>Prices paid by farmers (1977=100)</b>	April	190	1.1*	4	7
Production items	April	175	1.2*	3	5
Feed	April	126	1.6*	-2	-10
Feeder livestock	April	223	3.2*	5	21
Fuels and energy	April	198	-9.6*	5	8
<b>Producer prices (1982=100)</b>	April	121	0.2	3	7
Agricultural machinery and equipment	April	123	0.2	2	6
Fertilizer materials	April	100	-1.4	5	-8
Agricultural chemicals	April	125	0.2	5	10
<b>Consumer prices (1982-84=100)</b>	April	135	0.1	5	10
Food	April	137	0.7	4	10
<b>Production or stocks</b>					
Corn stocks (mil. bu.)	March 1	4,789	N.A.	0	-8
Soybeans stocks (mil. bu.)	March 1	1,190	N.A.	13	34
Beef production (bil. lbs.)	April	1.87	8.8	7	7
Pork production (bil. lbs.)	April	1.36	4.6	9	3
Milk production (bil. lbs.)**	April	10.9	-1.7	1	2

N.A. Not applicable.

\*Prior period is three months earlier.

\*\*21 selected states.



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