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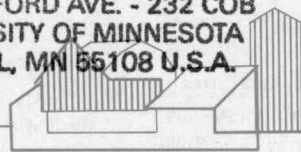
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Meat production continues upward

U.S. meat production in 1990 will likely be up for the eighth consecutive year, paced by another strong rise for poultry. Estimates from the U.S. Department of Agriculture show that production of all meat during the first three quarters of this year was up 1.5 percent from the same period a year ago. Roughly comparable year-over-year gains are expected in the current quarter and in the early part of next year. But, the gain for all of next year will likely be somewhat larger if pork production turns up as expected.

For the past several years, U.S. meat production has been characterized by a consistent uptrend for poultry and stable output of red meats (beef, veal, pork, and lamb and mutton). Annual production of red meats during the 1980s drifted between a low of 37.6 billion pounds in 1982 and a high of 40.0 billion pounds (carcass weight basis) in 1988. Modest declines the past two years will pull red meat production down to about 38.9 billion pounds in 1990, nominally below the annual average for all of the 1980s. On a per capita basis, red meat production this year will be down about 9 percent from a decade ago and down 15 percent from two decades ago.

Most components of the red meat complex are headed toward declines in production this year. The exception is lamb and mutton which is currently forecast to be up in 1990 for the third consecutive year. At an estimated 22.9 billion pounds beef production this year will be down 1 percent from last year and the lowest since 1982. On a per capita basis beef production this year will be the lowest since the early 1960s and nearly a fourth below the peak set in the mid 1970s. Pork production this year is expected to decline 2.6 percent to about 15.4 billion pounds. On a per capita basis, this year's pork production will be some 16 percent below the cyclical high of a decade ago but still 5 percent above the most recent cyclical low in 1986.

In contrast to red meats, poultry production has registered virtually uninterrupted gains for several decades. Current estimates indicate that total poultry production (comprising broilers, mature chickens, and turkey) will reach 23.9 billion pounds (retail weight basis) this year. Such a level would mark a 7 percent rise from last year and a 64 percent rise from a decade ago. On a per

capita basis, poultry production this year will be nearly 50 percent larger than in 1980 and more than 90 percent larger than in 1970. As has been the case in recent years, turkey continues to pace the rise in poultry production. The current estimates suggest turkey production this year will be up 9 percent from last year and up 92 percent from a decade ago. In comparison, chicken production this year is expected to be up 6.5 percent from last year and up 58 percent from a decade ago.

The above estimates for 1990 meat production incorporate the USDA's projections for the current quarter. In general, those projections imply that year-over-year changes in both poultry and red meat production during the next few months will roughly parallel the trends of the past three quarters. Poultry production continues to register significant, but somewhat smaller gains than earlier in the year. The USDA is currently suggesting that the year-over-year rise in poultry production will narrow to about 6 percent during both the current quarter and in the first quarter of next year. For all of next year, the USDA expects a 5 percent rise in poultry production.

With respect to red meats, pork production will probably lag year-earlier through the winter months. But after a year of favorable earnings, it appears that hog farmers are in the early stages of an expansion that could result in larger pork production starting next spring. A recent survey of hog producers indicated that the number of market hogs and pigs on farms as of September 1 totaled about 49.4 million head, down 2.5 percent from a year ago. In contrast, the inventory of hogs held for breeding purposes had pulled even with the year-earlier level, reversing the declines evident since late 1988. Moreover, hog farmers intend to expand their farrowings this fall and winter. Their intentions for the three-months ending with November are to farrow 2.4 percent more sows than in the same period a year ago. For the December-February period, intended sow farrowings point to a rise of 2 percent. If the number of pigs saved per litter continues to drift up, these intentions suggest that the pig crop during the six months ending in February will be up about 3 percent. The increase would likely become evident in pork production during the spring and summer quarters of next year. In line with the expansion now underway among hog farmers,

Selected measures of hog production

	District states		United States	
	Million head	Percent change	Million head	Percent change
Pigs born & raised				
March-May	11.9	-4.0	24.9	-4.0
June-August	10.9	-0.8	22.9	-1.6
Total	22.8	-2.5	47.9	-2.8
Hogs on farms, Sept. 1				
Market hogs	24.2	-1.8	49.4	-2.5
Breeding stock	3.2	0	6.9	-0.1
Total	27.4	-1.6	56.3	-2.2
Intended sow farrowings				
September-November	1.3	1.9	2.9	2.4
December-February	1.2	4.1	2.6	2.1
Total	2.6	2.9	5.5	2.3

SOURCE: U.S. Department of Agriculture.

and assuming that it continues into next spring, the USDA projects that pork production for all of next year will rise 2.6 percent.

Hog farmers in District states are also showing signs of expansion. The September 1 inventory of market hogs in the five-state region was down almost 2 percent from a year earlier as sizable declines for Illinois and Wisconsin offset modest gains in Iowa and Michigan. The inventory of hogs held for breeding purposes in the five state region was unchanged from a year ago but intended sow farrowings for the six-months ending with February point to a rise of 3 percent for the region.

Beef production forecasts involve somewhat more uncertainty than those for pork. This partly reflects the varying components in beef production between that from cattle marketed from feedlots and that from the slaughter of cows and other forage-fed cattle. Despite a moderately larger inventory of cattle in feedlots, the number of fed cattle marketed out of feedlots during the first-half was down nominally from the same period a year ago. Preliminary indications for the third quarter suggest fed cattle marketings were comparable to the year-earlier level. At the same time, however, the movement of young cattle into feedlots picked up during the spring and summer months. As a result, most analysts are looking for fed cattle marketings to move above year-earlier levels this winter. Conversely, continued cuts in the slaughter of cows and forage fed steers and heifers could be partially offsetting. Reflecting this, federally-inspected cow slaughter through mid-September of this year was down 6 percent, paced by a particularly large decline in the slaughter of dairy cows. Continued incentives for rebuilding the beef cow breeding herd will likely extend the declines in cow and heifer slaughter well into next year. While beef production may move above year-earlier levels this winter, the

USDA believes that the rise for all of next year will be limited to only about 1 percent.

U.S. production accounts for the vast bulk of meat available for domestic consumption. Yet at times, major swings in U.S. meat trade can also influence year-to-year changes in the amount of meat available for domestic consumption. Such was the case last year, for instance, when a combination of larger exports and smaller imports led to a one-third decline in net imports of red meats. Paced by developments for pork, net imports of red meats continued lower during the early months of this year. However, the trend has reversed in recent months, largely because of a downturn in beef shipments to Japan. As a result, the latest USDA projections suggest that net imports of both beef and pork for all of this year may be up slightly from the reduced level of last year.

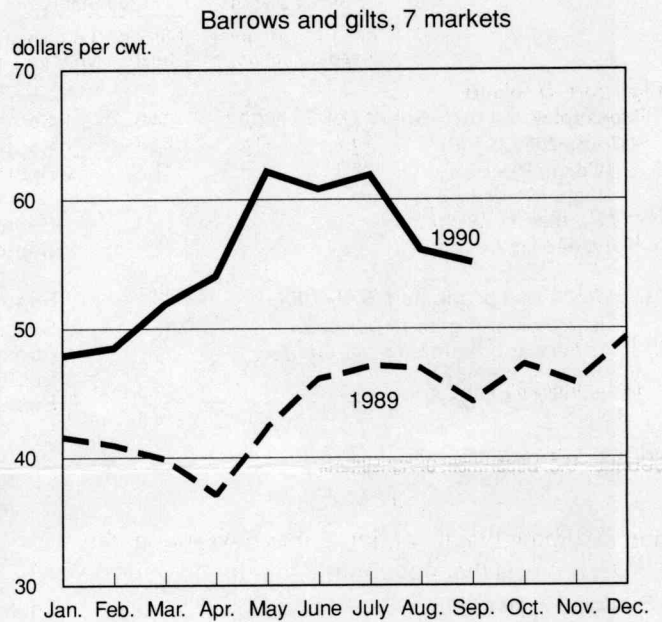
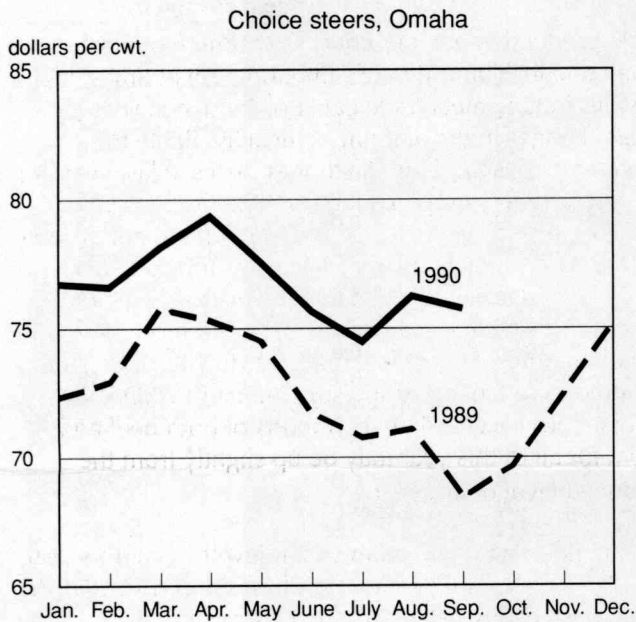
While net imports of red meat are levelling-off this year, poultry exports are headed toward a sharp rise. USDA analysts recently projected that U.S. poultry exports for all of this year would be up a third from last year, absorbing nearly 5 percent of total production. The resumption of poultry shipments to the USSR (mostly in the form of broiler legs) accounts for the bulk of this year's expected growth. With this renewed trade, shipments to the USSR represented a fourth of all U.S. broiler exports during the first seven months of 1990.

Major markets for U.S. meat exports

	Annual		Jan-July		Change (%)
	1988	1989	1989	1990	
	(-.....million pounds*.....)				
Beef and veal					
Japan	504	716	411	330	-20
Canada	53	98	57	107	89
South Korea	16	58	34	39	16
Caribbean	23	23	12	14	22
Others	95	129	76	63	-17
Total	690	1,023	589	554	-6
Pork					
Japan	121	149	77	78	2
Mexico	35	63	37	18	-51
Canada	9	13	6	12	96
Caribbean	11	15	7	7	-2
Others	20	27	12	26	120
Total	195	267	140	143	2
Broilers					
USSR	0	26	0	166	n.a.
Japan	253	224	128	126	-1
Hong Kong	102	162	100	104	3
Mexico	98	90	55	47	-14
Canada	53	66	40	45	13
Singapore	54	57	39	27	-30
Others	206	189	110	145	31
Total	765	814	473	660	40

*Carcass weight for beef and pork and ready-to-cook weight for broilers.
SOURCE: U.S. Department of Agriculture.

Cattle and hog prices have held well above year-ago levels



High cattle and hog prices have accompanied this year's downturn in red meat production and have been a major factor in the farm sector's strong earnings. This will mark the third consecutive year in which average annual cattle prices will reach a new high. During the first three quarters, choice steer prices at Omaha averaged about \$76.75 per hundredweight, up 6 percent from the same period last year and up 11 percent from the first three quarters of 1988. The USDA expects that choice steer prices during both the current quarter and the first quarter of next year will average in the mid- to upper \$70s per hundredweight.

Hog prices for all of 1990 will average about a fourth higher than last year and come close to the record-high annual average of \$55.45 per hundredweight set in 1982. Prices have fluctuated considerably during the year, with monthly averages for barrows and gilts ranging from a low of \$48.00 in January to a high of \$62.20 per hundredweight in May. Prices retreated in August, but have returned to the high \$50s in recent weeks as hog slaughter has registered unexpectedly large declines. If the year-over-year decline in hog slaughter narrows to the 1 to 3 percent range expected, hog prices this fall and winter will likely retreat to the

low- to mid- \$50s range. Hog prices will probably strengthen seasonally next spring. But in line with the expected upturn in pork production, hog prices during the final three quarters of next year will probably average \$3 to \$5 per hundredweight below the high levels experienced this year.

Gary L. Benjamin

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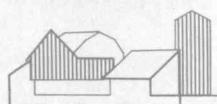
Selected agricultural economic indicators

	Latest period	Value	Percent change from		
			Prior period	Year ago	Two years ago
Prices received by farmers (1977=100)	September	148	-2.0	3	2
Crops (1977=100)	September	123	-2.4	-2	-10
Corn (\$ per bu.)	September	2.26	-10.0	-1	-13
Oats (\$ per bu.)	September	1.07	0.9	-22	-58
Soybeans (\$ per bu.)	September	6.13	0.0	8	-23
Wheat (\$ per bu.)	September	2.48	-3.9	-33	-34
Livestock and products (1977=100)	September	173	-0.6	8	13
Barrows and gilts (\$ per cwt.)	September	53.60	-5.5	22	29
Steers and heifers (\$ per cwt.)	September	78.50	-0.9	9	9
Milk (\$ per cwt.)	September	14.40	0.7	3	15
Eggs (¢ per doz.)	September	68.5	4.4	-4	8
Prices paid by farmers (1977=100)	July	184	0.5*	3	7
Production items	July	170	0.6*	2	7
Feed	July	130	1.6*	-2	-10
Feeder livestock	July	214	0.5*	11	19
Fuels and energy	July	185	-1.1*	-1	9
Producer Prices (1982=100)	September	120	0.9	6	11
Agricultural machinery and equipment	September	121	0.3	2	7
Fertilizer materials	September	96	3.4	4	-3
Agricultural chemicals	September	119	0.2	3	12
Consumer prices (1982-84=100)	September	133	0.8	6	11
Food	September	133	0.2	6	11
Production or stocks					
Corn stocks (mil. bu.)	September 1	1,344	N.A.	-30	-68
Soybeans stocks (mil. bu.)	September 1	239	N.A.	31	-21
Beef production (bil. lbs.)	August	2.06	6.3	-1	-5
Pork production (bil. lbs.)	August	1.31	18.8	-2	2
Milk production (bil. lbs.)**	September	10.0	-4.4	4	1

N.A. Not applicable.

*Prior period is three months earlier.

**21 selected states.



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