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UNITED STATES DEPARTMENT OF AGRICULTURE
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OUTLOOK FOR LIVESTOCK AND MEATS IN 1963

Talk by Lawrence W. Van Meir
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The outlook for 1963 holds promise for some improvement in the price for lambs, but slight decreases in cattle and hog prices. Cattle marketings will increase in 1963 and, because of the upward trend in the demand for beef, likely will more than offset any decrease in price so that cash receipts from the sale of cattle and calves will be up from receipts this year. Cash receipts from hogs and sheep and lambs in 1963 are expected to be about the same as for this year.

Total meat production this year probably will be up slightly from the 28.6 billion pounds produced last year. Domestic supplies were supplemented by larger imports and cold storage stocks. Per capita consumption of all red meats in 1962 will be close to 162.5 pounds--an increase of about 1.5 pounds from the 161 pounds consumed per person in 1961.

Increased beef and pork production in 1963 probably will more than offset a decrease in production of veal, and lamb and mutton. Total red meat supplies next year are expected to increase sufficiently to add an additional pound to per capita consumption.

CATTLE

Cattle slaughter for 1962 is running about 2 percent above last year, but beef production will be up only a little over 1 percent because of a drop in the average dressed weight. Federally-inspected slaughter this year includes more steers and cows but fewer heifers than last year. Calf slaughter for the year is expected to be down about 3 percent from the 8.1 million head slaughtered last year and will be the lowest level of calf slaughter since 1930.

There has been an improvement in consumer demand this year compared with a year earlier. Per capita disposable income in the first half of this year was up 4.2 percent from the first half of 1961. Below-normal temperatures through the summer also are believed to have had a significant impact on the demand for meat this year.

A strong demand for beef this year, accompanied by a relatively short supply of slaughter cattle, resulted in the price of slaughter cattle being bid up relative to the retail price of beef. Thus the farm-to-retail spread narrowed substantially. The marketing margin averaged about 30.1 cents a pound for the first three quarters of this year, compared with 33.2 cents a pound for the comparable period last year.

The increase in cattle numbers that started in 1958 is continuing this year, and numbers are expected to increase again in 1963. The addition of cattle to the inventory, in the form of the calf crop and imports, is exceeding the disappearance from the inventory, due to slaughter and death losses, by about 2.5 million head this year. This year for the first time in history, cattle numbers in the United States are passing the 100-million head mark, with an inventory of about 102 million head in sight for next January. This will represent an increase of about 2.5 percent from the 99.5 million head reported in the beginning inventory this year.

The total increase in cattle numbers understates the potential gain in beef production. The number of cattle kept for milk production has decreased each year since 1954. The gain in the number of cattle in the beef cattle inventory is expected to be about 4 percent this year, up slightly from the gains in beef cattle numbers of 2.0 and 3.4 percent in 1960 and 1961, respectively.

The inventory of cattle and calves on feed January 1, 1963 is expected to be up 7 to 8 percent over this year's beginning inventory. The carryover of cattle into the January 1 inventory, from this year's October 1 inventory, will be 15 to 17 percent greater than the similar carryover last year. And the number of cattle placed on feed in the fourth quarter of this year likely will equal or exceed the number placed on feed in the fourth quarter of 1961.

Commercial cattle slaughter in 1963 is expected to be near 27.0 million head--up 3 to 4 percent from this year's commercial slaughter. Beef production probably will increase by a like amount.

The increase in slaughter next year is expected to be made up mostly of steers and cows with only a slight increase in heifer slaughter. The additional increase in cow slaughter in 1963 may be sufficient to decrease imports of beef somewhat from this year's record level. Total beef consumption next year probably will reach a record of about 16.7 billion pounds and per capita consumption may increase a pound to about 90 pounds per person.

The total demand for beef next year will increase as a result of population growth, a continued upward trend in the preference for beef, and an increase in real per capita income. However, the increase in per capita disposable income next year will have to be about the same as this year to hold cattle prices at this year's level. But the prospective gain in per capita income for next year is less than this year's gain, particularly in the first half of the year. Therefore, cattle prices in 1963 may average a little lower.

Fed cattle prices in 1963 are expected to continue above 1962 prices until mid-winter but then may average under this year's price from then through spring. Prices for slaughter cows probably will increase seasonally in the late winter and spring months but may average slightly under this year's price.

The cattle cycle that started in 1958 has now progressed sufficiently so that some definite conclusions can be drawn as to the nature of the current cycle as well as the outlook for the cattle industry for the next 3 or 4 years. The most significant difference between this cycle and the last is in the increase in the number of beef cows in the inventory. The increase over a five-year period in the current cycle has been less than half of what it was in the 1949-56 expansion. An important part of this situation has been the lack of a large increase in the number of heifers added to breeding herds. An expanding cattle feeding industry has kept a large proportion of the heifer

supply going into feedlots and on to slaughter. Therefore, we have not achieved the potential capacity to increase slaughter in this cycle that we did at the same relative point in the previous cycle.

Decreased calf slaughter and increased imports of cattle were important factors in the increase in cattle numbers from 1958 to the present. However, these factors will not have as great an influence in the future and the increase in cattle numbers will be more nearly dependent on the rate of increase in the calf crop. Therefore, it appears that relative stability is likely to continue for the cattle industry the next 3 to 4 years.

This situation could be reversed in the future. However, to do so, heifer slaughter would have to be curtailed sharply if heifers were to be added to breeding herds in greatly increased numbers. In this case, fed cattle prices probably would rise significantly for a couple of years.

The cattle industry always is vulnerable to severe widespread drought. However, the beef cattle industry in 1963 will be less vulnerable to drought than in 1953. The price for Good and Choice stocker-feeder calves is currently in the \$28-\$32 range. In 1953, the price for Good and Choice stocker-feeder calves was in the \$20 range. At the 1953 price, the cow-calf operator could only cover costs under normal grazing conditions, and had little or no margin to offset the increased cost incurred during drought conditions. At the current price for calves, the cow-calf operator is in a much better position to meet the higher costs caused by drought.

HOGS

Hog slaughter is now near the fall seasonal peak and prices near the fall seasonal low. Slaughter during the remainder of this year is expected to decline seasonally and likely will be close to year-earlier slaughter. Some gain in price may occur from mid-December through early February, but the price recovery would be moderate. Slaughter during this period would be largely from April-May farrowings which were about 5 percent below farrowings in the comparable period last year.

Producers in 10 Corn Belt States reported in September that farrowings for the first half of the 1962 fall pig crop were up 4 percent from last year. They also reported intentions to increase farrowings by 4 percent in the last half of the fall farrowing season. In the June pig crop survey, producers outside the 10-State area reported intentions to farrow fewer sows this fall than a year ago. If producers in these States did not alter their intentions drastically, then the fall pig crop this year would be about 2 to 3 percent larger than a year ago. This increase in fall farrowings would be reflected in slaughter from mid-winter on. Therefore, barrow and gilt slaughter through spring is expected to be up slightly from this year, with prices averaging under this year.

Producers in the 10 Corn Belt States in September also reported intentions to increase spring farrowings in 1963 by 4 percent. The hog-corn ratio during the past year has been favorable to hog production. However, the trend of hog prices has been downward most of the decade of the 1950's and nonfeed costs have increased. Furthermore, except for brief periods in the summer, hog prices during the past 2 years have not varied much from a level of \$16.70. This is quite a change from the 8-market average price of \$22.25 preceding the 1955 upsurge in farrowings, and the \$20.25 average price preceding the 1959 increase in farrowings. Consequently, it may take even a higher hog-corn ratio than that of the last 2 years to result in a large increase in farrowings.

An increase of 4 percent in the 1963 spring pig crop would result in a little greater increase in the supply of pork during the late summer and fall of next year than the increase in demand that will result from the increases in population and consumer income. Consumers have not demonstrated an increasing preference for pork in recent years and, if anything, the preference for pork in recent years has declined gradually. Therefore, an increase of 4 percent in the spring pig crop next year likely would result in a seasonal price a year from now about \$1 to \$1.50 under current prices. A decrease in the price of hogs of this magnitude next fall, along with prices under a year earlier through most of the spring and summer of 1963, likely would act as a restraint on any possible large increase in the 1964 pig crop.

SHEEP AND LAMBS

Sheep and lamb slaughter the first quarter of 1962 was high relative to the number of lambs on feed at the beginning of the year, thus reflecting a larger than normal slaughter of lambs out of the stock sheep inventory. The high rate of slaughter during the first quarter of this year held lamb prices at a low level.

The slaughter of lambs out of the stock sheep inventory tapered off in late March and lamb prices recovered sharply in the second quarter. The average price received by farmers for lambs in June of this year was \$19.90 per hundredweight, the highest average farm price for lambs since June of 1960. Lamb prices, through the balance of the year to date, have continued at a level much improved over the low prices of 1961.

The preliminary estimate for the 1962 lamb crop is 20,358,000 head, down 4 percent from the 1961 lamb crop, with most of the reduction in the late lamb crop. However, slaughter during late summer and early fall has not decreased in proportion to the decrease in the size of this year's lamb crop. Apparently, a larger proportion of this year's lamb crop is going to slaughter.

Sheep and lamb numbers this year are being decreased about as rapidly as last year. The liquidation of sheep and lamb numbers in 1961 amounted to about 1.5 million head. The inventory of sheep and lambs decreased from 32,967,000 head January 1, 1961 to 31,446,000 head January 1, 1962. Therefore, the sheep and lamb inventory next January probably will be near 30 million head--the lowest year beginning inventory since 1950. Large scale liquidation is not expected in 1963. However, even a small reduction of numbers next year would result in the smallest number of sheep and lambs on farms at the end of the year for any year since the first records were kept in 1867.

Because of the high rate of slaughter so far this fall, the number of lambs on feed and the number of lambs carried in the stock sheep inventory next January are expected to be down sharply from January of this year. Therefore slaughter in the first quarter of next year may be as much as 15 to 20 percent under the first quarter of 1962, with prices much improved relative to January-March prices this year. Slaughter in the second quarter of 1963 likely will be closer to a year earlier than for any of the other quarters of the year. Slaughter during this period will come primarily from the early spring lamb crop, which probably will not be down as much as the late lamb crop.