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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

+ OUTLOOK FOR LIVESTOCK AND MEATS +

Talk by Robert L. Rizek  
Economic and Statistical Analysis Division  
at the 42nd Annual Agricultural Outlook Conference  
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The prospects into mid-1965 are for higher hog and lamb prices than in 1964, and the price situation for fed cattle may be a little more favorable for producers than the depressed markets a year earlier.

CATTLE

Commercial beef production was up 12 percent during the first 10 months of this year from the same months in 1963. All classes of cattle have shown significant increases in slaughter, with cow slaughter showing the largest gains.

The buildup of the cattle inventory will be slowed considerably this year as a result of the large increase in slaughter plus a decrease in the imports of live animals. The inventory of cattle and calves next January 1 will be up only slightly from the 106.3 million head in this year's beginning inventory. This will be considerably less than the 3.7 percent and 2.7 percent increases made in 1962 and 1963.

Cattle prices varied considerably through 1964, and prices for the various classes of cattle did not share equally in the ups and downs. A year ago this November, returns from cattle feeding operations were discouraging and the situation worsened early in 1964. However, fed cattle prices made a strong recovery from their spring lows this summer--in September prices of Choice steers at Chicago were about \$6 per 100 pounds above the May low of \$20.52. In late October, prices declined but were still well above the spring low.

There are several reasons for the price improvement since May: (1) The USDA beef purchase program has removed significant quantities of beef from commercial trade channels. (2) Lighter marketing weights of fed cattle and a slight decline in the number of fed cattle marketed since spring have taken some of the pressure off fed beef markets. (3) Increases in disposable income, population growth, and stepped-up beef promotional programs have increased demand. (4) Lower hog slaughter has resulted in less competition from pork.

Fed cattle marketings during the rest of the year are expected to remain near last year's level, but down from the third quarter of this year. Despite the prospect of continued large supplies of beef, fed cattle prices are expected to hold fairly steady into the winter months, averaging near October levels. This is in contrast to 1963, when fed cattle prices declined throughout

the fourth quarter and averaged \$23.25. Demand for beef is strong, and there is less competition from pork. However, continued heavy runs of slaughter cows, larger marketings of other cattle off grass, and heavy poultry meat production likely will prevent substantial price strength.

Feeder cattle prices did not share in the fed cattle price rise this past summer. In October, Choice feeder steers at Kansas City averaged approximately \$3.50 per 100 pounds below a year earlier. Feeder prices likely will be under continued pressure through the rest of the year and in early 1965, since there is a plentiful supply available for feeding.

Cow slaughter has been heavy this year. In January-May, slaughter was about 13 percent above year-earlier levels and cow prices, at \$14.10 per 100 pounds, Utility, at Chicago, averaged about \$1.50 below the same period of 1963. Since June, cow slaughter has been approximately 30 percent above a year earlier, but prices have averaged \$13.80 per 100 pounds, only about \$1.60 below year-earlier levels. For the year, cow slaughter will be about 20 percent above 1963, and is expected to remain large through next spring. The increase in cow beef production this year has been largely offset by a sharp decline in imports. Consequently, cow beef supplies plus imports in the first 8 months of this year were only about 1 percent more than in the first 8 months of 1963.

Total cattle slaughter in 1965 is expected to increase slightly over this year, if weather and range conditions are near average. The cattle herd would then increase only slightly during 1965. A 4 percent increase in 1965 cattle slaughter would be needed to hold numbers constant in 1965.

Fed cattle prices likely will hold much of their present strength in the first quarter of next year. However, if a large number of heavy weight cattle is put on feed this fall, prices during the first part of 1965 will be under some pressure, but prices likely will not reach the 1964 low levels. Price prospects for fed cattle in the spring of next year will depend largely on the number and weight of cattle and calves placed on feed this fall and winter. The present favorable price relationship between fed cattle and feeder cattle likely will encourage large placements during the fourth quarter and in later winter months. If this occurs, fed cattle markets during the first half of 1965 may follow the same pattern of generally declining prices as in 1964 but prices probably will be at a higher level.

#### HOGS

Hog prices next year are expected to average moderately above 1964 in response to lower per capita supplies. The June-November 1964 pig crop, which will provide the bulk of the slaughter supply in the first part of the year, is down probably 6-8 percent from a year earlier, and producers on September 1 reported intentions to have 13 percent fewer sows farrow during December 1964-February 1965. If these intentions are carried out, hog slaughter next summer will be substantially below last summer.



Producers are making plans now for the March-May portion of the spring pig crop. Sows farrowing during these months account for more than 60 percent of all December-May farrowings. The hog-corn price ratio probably will increase this fall and winter, so producers probably will cut late-season farrowings much less than indicated for December-February. On September 1, the number of breeding animals was down only 6 percent. Hog prices likely will be above year-earlier levels more than enough to offset the prospective increase in corn prices. However, higher corn prices will tend to prevent any substantial expansion in pig production during the winter months.

Hog prices in the first quarter of next year likely will average moderately higher than in these months of 1964, when barrows and gilts averaged \$14.60 at 8 major markets. Also, prices are not expected to dip as low next spring as they did last spring. If producers carry out their stated intentions for a large reduction in the December 1964-February 1965 pig crop, and the entire December-May crop is down, the peak in hog prices likely will top by a considerable amount the peak of \$17.10 in July this year. However, if producers begin expanding their breeding herds any time during the first half of next year, a more usual seasonal decline is expected in the fall of 1965 than is occurring this fall.

Commercial hog slaughter this year likely will be down 2 percent from the 83.3 million head slaughtered in 1963. However, competition from beef is keen, and prices received by farmers for hogs this year will average little, if any, above the \$14.90 per 100 pounds received in 1963.

Prices in the first part of 1964 averaged slightly below a year earlier when supplies were running above 1963; but then are expected to average higher in the fourth quarter reflecting the smaller December 1963-May 1964 pig crop. Prices followed the usual seasonal price pattern this year except marketings did not decline seasonally as much as usual, and the summer price peak was only about \$2.20 above the spring low. This compared with a summer runup of \$2.90 in 1962 and \$3.60 in 1963.

Beef gave pork strong competition this year, and it probably will be fully as strong a competitor next year. Thus, the expected decline in pork production will be partially offset by an increase in beef and veal production. Poultry meat production probably will not be much different from this year.

#### SHEEP AND LAMBS

Lamb prices in 1964 have been more favorable for producers than in several years, primarily because of reduced slaughter supplies. Lamb slaughter this year is expected to be down 7 percent from 1963. The January 1, 1965, inventory of sheep and lambs on farms is expected to be down moderately from the 28.2 million head a year earlier. Sheep and lamb slaughter in 1965 is expected to continue downward, and lamb prices are expected to continue above year-earlier levels.

Sheep and lamb slaughter in 1965 is expected to be down from 1964, whether or not rebuilding of breeding herds begins during the year. If rebuilding does begin, slaughter supplies will be substantially reduced. It would take a decrease in slaughter of about 11 percent in 1965 just to hold the inventory at the 1964 level. The lamb crop is expected to be down again by 4 to 6 percent. This crop will be the major source of both slaughter lambs and animals for herd replacement. With smaller supplies of lamb, prices in 1965 are expected to continue above year-earlier levels. Beef supplies probably will be up a little, but pork competition may be somewhat less and broiler competition may remain about the same as it has been this year.

Although 1964 lamb prices have been higher than in several years, they likely have not been up enough to encourage producers to retain ewe lambs in unusual numbers for additions to breeding herds. Before this situation will develop, producers will have to regard the long-term outlook for lambs and wool more favorably. Producers' expected returns from alternative farm and ranch enterprises also affect their decisions on lamb production. In recent years, there has been a shift to other enterprises.

Lamb prices received by farmers currently are at about the 1957 annual average, almost \$2 per 100 pounds below 1958, and \$1 above 1959, the latest years when flocks increased. They are almost \$2 to \$4 above prices in the years since 1959.

#### CONSUMPTION

Red meat consumption is expected to reach 174 pounds per person this year, more than 4 pounds above a year earlier. The gain is coming primarily from beef--expected to set a record high of 100 pounds, up from less than 95 pounds last year. Veal consumption is expected to be up slightly. Pork consumption is down about 2 pounds from the 65 pounds consumed in 1963, while consumption of lamb and mutton is down more than half a pound.

Per capita consumption of red meat probably will be down slightly next year. Likely declines in per capita consumption of pork, lamb, and mutton probably will be only partly offset by a modest gain in beef.