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Session 18

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LIVESTOCK BUSINESS ADVISORY SERVICES, INC.

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SUMMARY DISCUSSION OUTLINE
FOR
USDA ANNUAL OUTLOOK CONFERENCE

ON

**U.S. ECONOMY, SUPPLY, DEMAND AND PRICE OUTLOOK
FOR CATTLE, HOGS AND POULTRY**

by

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Washington D.C.

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MEMBER

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Meat Supply Considerations

1. Total meat production was down 2% in 1982, compared to 1981 levels.
2. Total meat production will be up 1% and 3%, respectively, for 1983 and 1984, compared to previous year levels. However, on a per capita basis, total meat supplies in 1983 will be equal to or less than they were in 1982.
3. Beef cow and other cattle liquidation will continue during 1983 and 1984.
4. The total cattle inventory on January 1, 1983 will be down at least 1% compared to January 1 of 1982.
5. Total meat supplies during the first three calendar quarters of 1983 will be basically unchanged from the first three quarters of 1982.
6. Total beef production will be about 5.7 and 5.6 billion pounds, respectively, for the first and second quarters of 1983, compared to the fourth quarter of 1982 of about 6.0 billion pounds.
7. Pork supplies in 1983 will be down significantly, compared to 1982 levels, particularly during the first nine months of the year. We believe hog producers have not yet, but will during 1983, **start holding back gilts and start building hog inventories in 1983. Pork supplies in 1983 will be tight.**
8. Total poultry production in 1983 will be up about 2%, compared to 1982.

ECONOMIC AND CONSUMER MEAT DEMAND CONSIDERATIONS

1. We continue to expect real GNP growth in 1983 to increase 1% to 3%. Economic recovery will be very slow and will test the patience of many people over the next 2-4 years. However, the U.S. economy will show positive real growth and recovery in 1983 and 1984.

2. World trade will be disappointing during 1983 and 1984. The U.S. dollar in relationship to other currencies will remain very strong for at least 1983 and 1984. Export demand for U.S. produced grains, meat, meat by-products and foodstuffs will generally be relatively poor during 1983 and 1984.

3. The rate of inflation for 1983 in the U.S., as measured by the CPI, will be 5% or less.

4. Real interest rates will remain at relatively high levels for 1983, but the N.Y. prime interest rate will average lower in 1983, compared to 1982. Specifically, we continue to expect the prime rate to range between 9% and 12% in 1983; compared to a 14.6% N.Y. prime rate average for 1982.

5. The level of unemployment will remain relatively high during 1983 and 1984. Many businesses are taking long overdue steps to improve productivity and cost efficiency. These steps will help improve longer-term profit potential and will be a key factor in helping cause the stock market to go to substantially higher levels over the next two years. A part of this process is weeding out dead wood. The overall farm economy in 1983 will remain very disappointing.

6. The effective consumer demand for beef and pork has declined and shifted to the downside over the past several years. Consumer demand for poultry has remained relatively stable. We expect the demand for beef to shift further to the downside over the next ten years. Primary causes of the decline in consumer demand for beef over the past several years include:
 - (a) The recessionary economy and the consumer spending less income on red meat, and particularly the higher-priced cuts of beef.

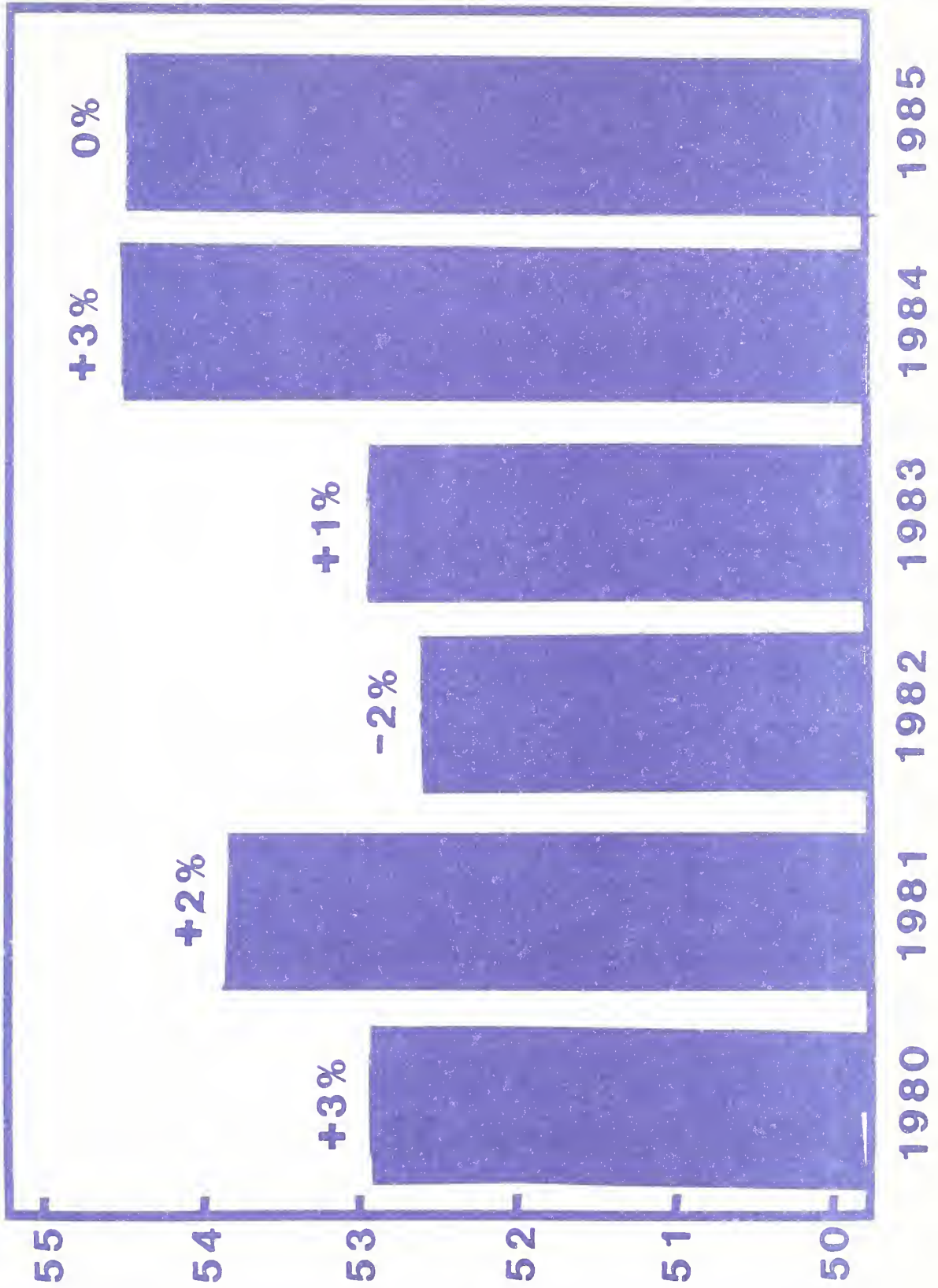
 - (b) The abundance of relatively cheap competing meats and other sources of proteins is a major factor.

CATTLE AND HOG PRICE OUTLOOK

1. Fed and feeder cattle prices will strengthen significantly between November of 1982 and July of 1983 (see the price chart for fed cattle on the accompanying pages). The primary basis for this price strength will be reduced total beef supplies in the first and second quarters of 1983, compared to the fourth quarter of 1982.
2. The hog market will strengthen into February and March of 1983, decline seasonally into April, and then strengthen again into the spring and summer months of 1983 (see the price chart for hogs on the accompanying pages). The primary reason for this price trend is that hog producers will **start** to hold back some gilts and **start** to rebuild hog inventories during 1983.

ANNUAL COMMERCIAL TOTAL MEAT PRODUCTION AND PERCENT CHANGE FROM PREVIOUS YEAR

Billion Pounds



1982 QUARTERLY COMMERCIAL MEAT PRODUCTION
(billion pounds)

	Qtr I	Qtr II	Qtr III	Qtr IV	Year
Beef	5.5	5.4	5.7	6.0	22.5
% Change	-2.0	-1.0	+3.0	+5.0	+1.0
Pork	3.7	3.6	3.2	3.5	14.0
% Change	-9.0	-9.0	-10.0	-15.0	-11.0
Total Red Meat	9.3	9.1	9.2	9.7	37.3
% Change	-5.0	-4.0	-2.0	-4.0	-4.0
Poultry	3.5	3.8	4.1	3.9	15.3
% Change	+1.0	-1.0	+1.0	+2.0	+1.0
Total Meat	12.8	12.9	13.2	13.6	52.6
% Change	-3.0	-3.0	-1.0	-2.0	-2.0

1983 QUARTERLY COMMERCIAL MEAT PRODUCTION
(billion pounds)

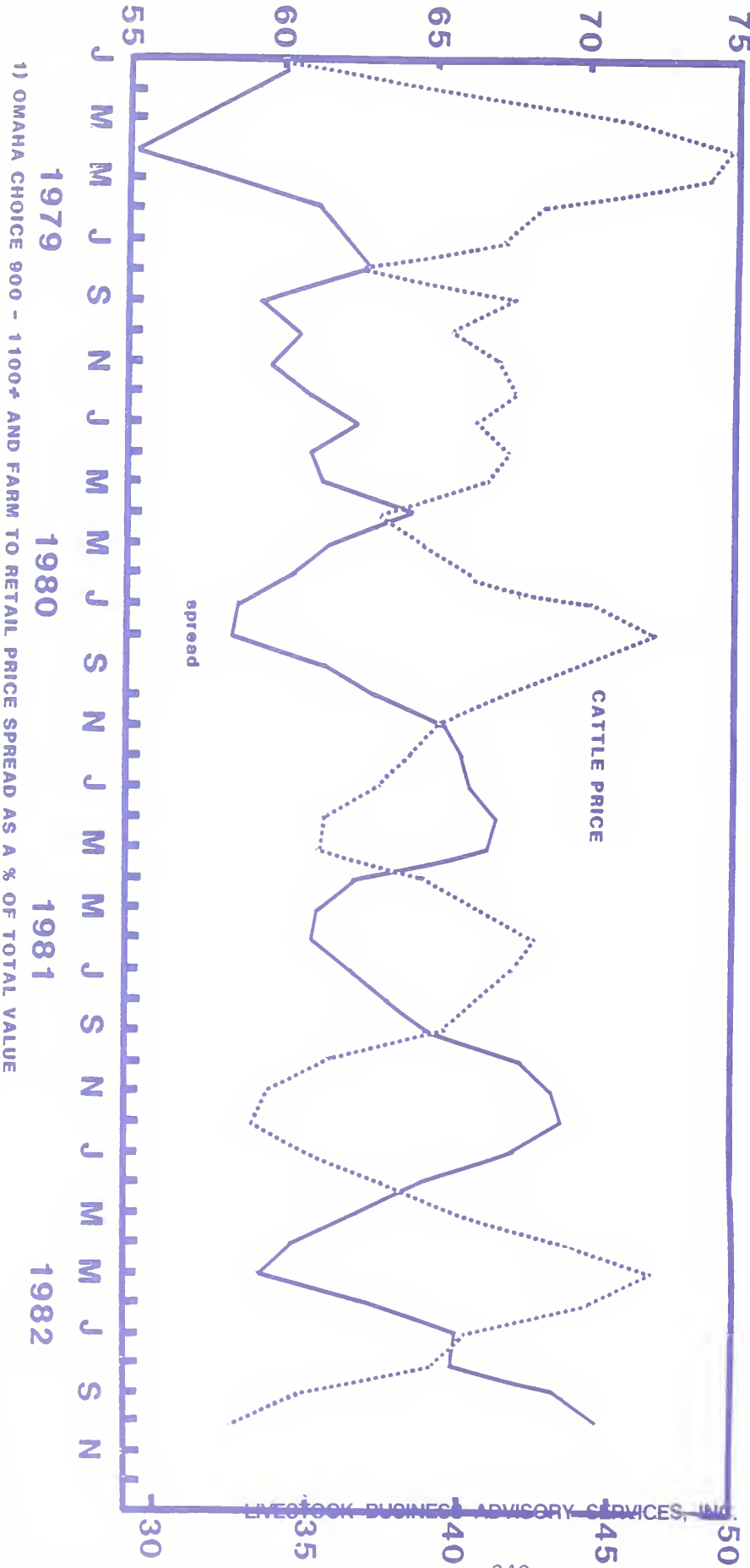
	Qtr I	Qtr II	Qtr III	Qtr IV	Year
Beef	5.7	5.6	5.8	5.9	22.9
% Change	+5.0	+4.0	+1.0	-2.0	+2.0
Pork	3.3	3.3	3.2	3.9	13.7
% Change	-11.0	-7.0	-2.0	+11.0	-2.0
Total Red Meat	9.2	9.0	9.1	10.0	37.4
% Change	-1.0	-1.0	0	+3.0	0
Poultry	3.6	3.9	4.1	3.9	15.5
% Change	+2.0	+2.0	+1.0	0	+2.0
Total Meat	12.8	12.9	13.2	13.9	52.9
% Change	0	0	0	+2.0	+1.0

Cattle Price

CATTLE PRICES AND PRICE SPREAD

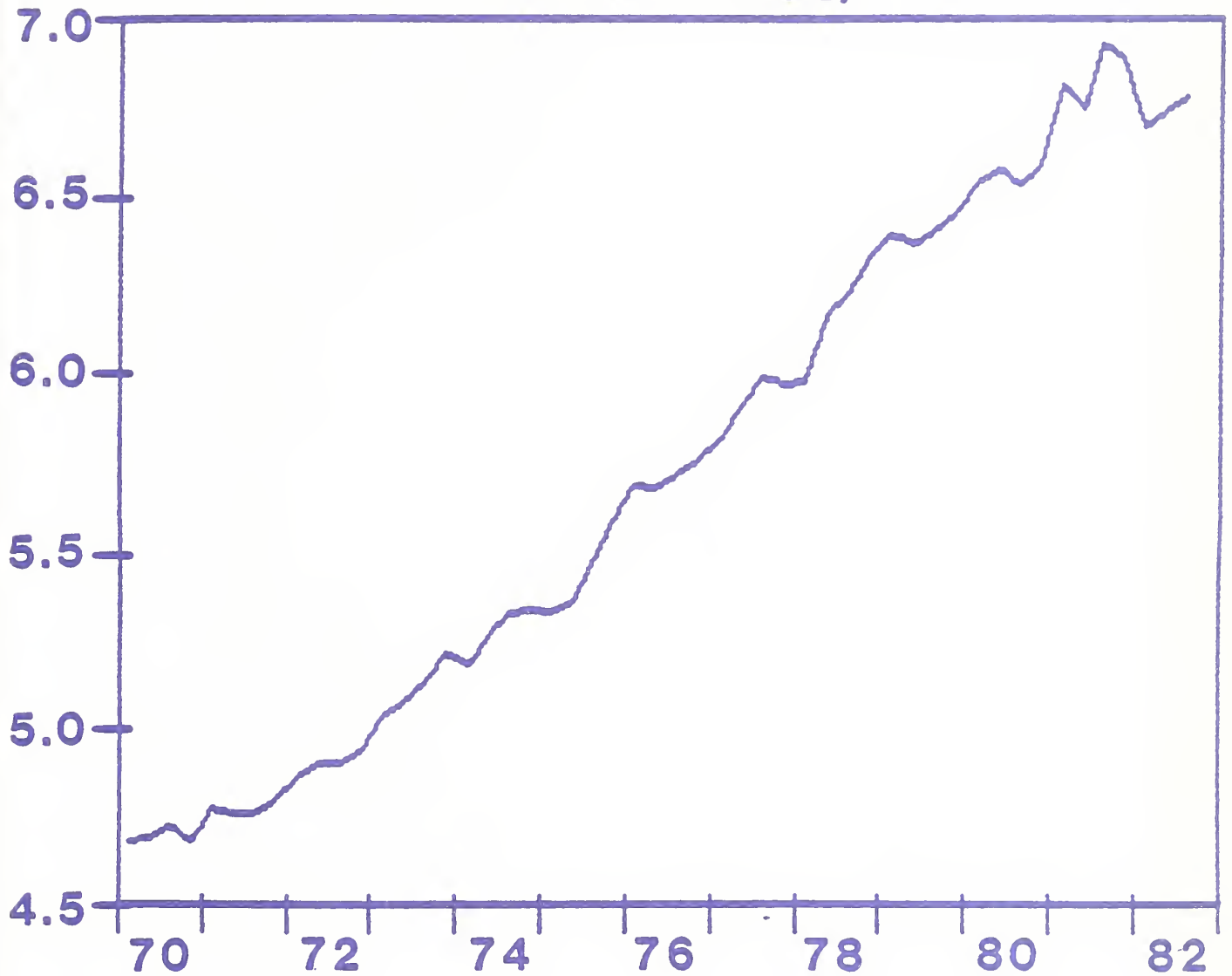
(\$/CWT and %)

Spread

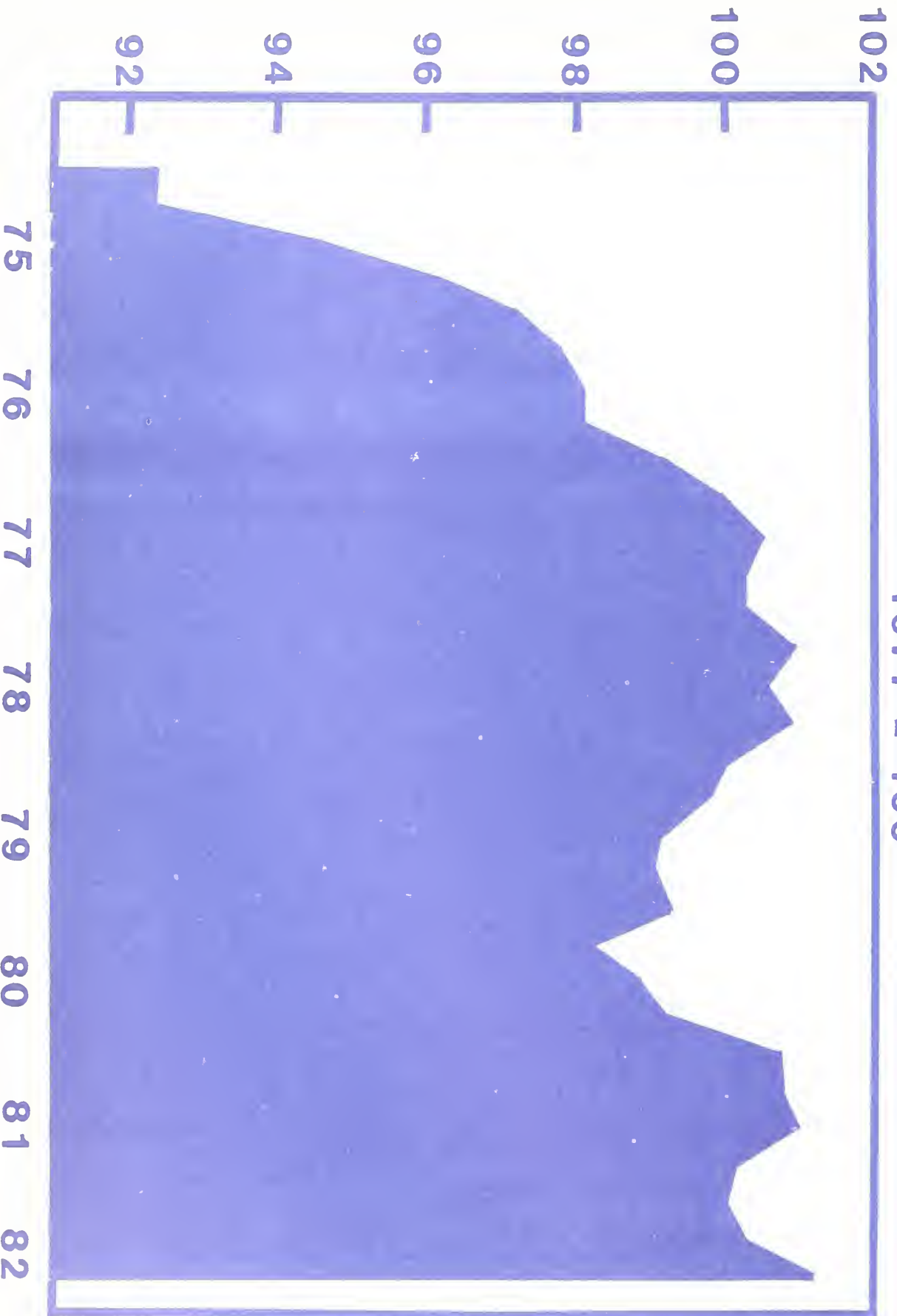


1) OMAHA CHOICE 900 - 1100+ AND FARM TO RETAIL PRICE SPREAD AS A % OF TOTAL VALUE

QUARTERLY MONEY VELOCITY (1970 - 1982)

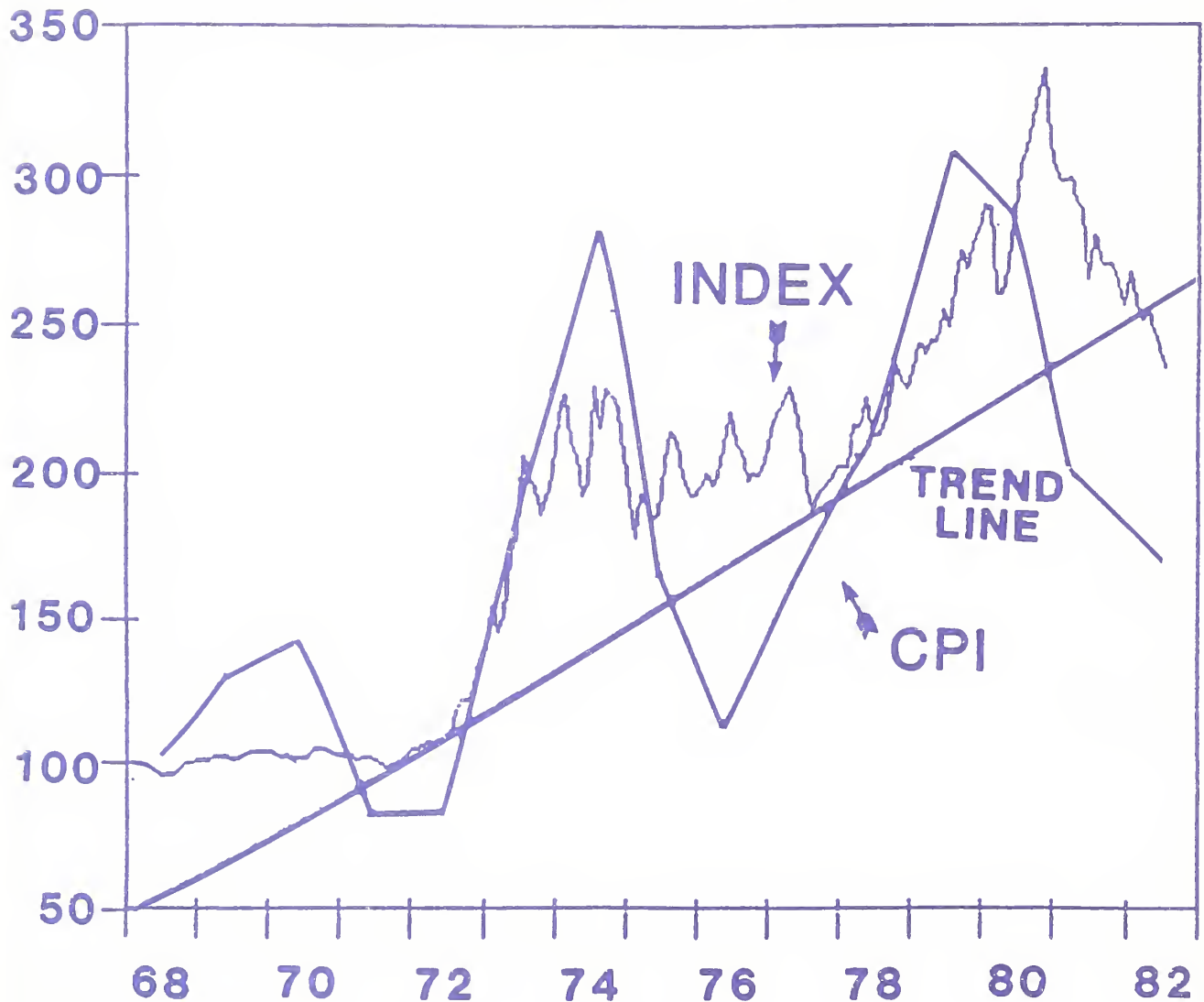


**INDEX: OUTPUT PER MAN HOUR
ALL PERSONS, PRIVATE BUSINESS SECTOR
1977 = 100**

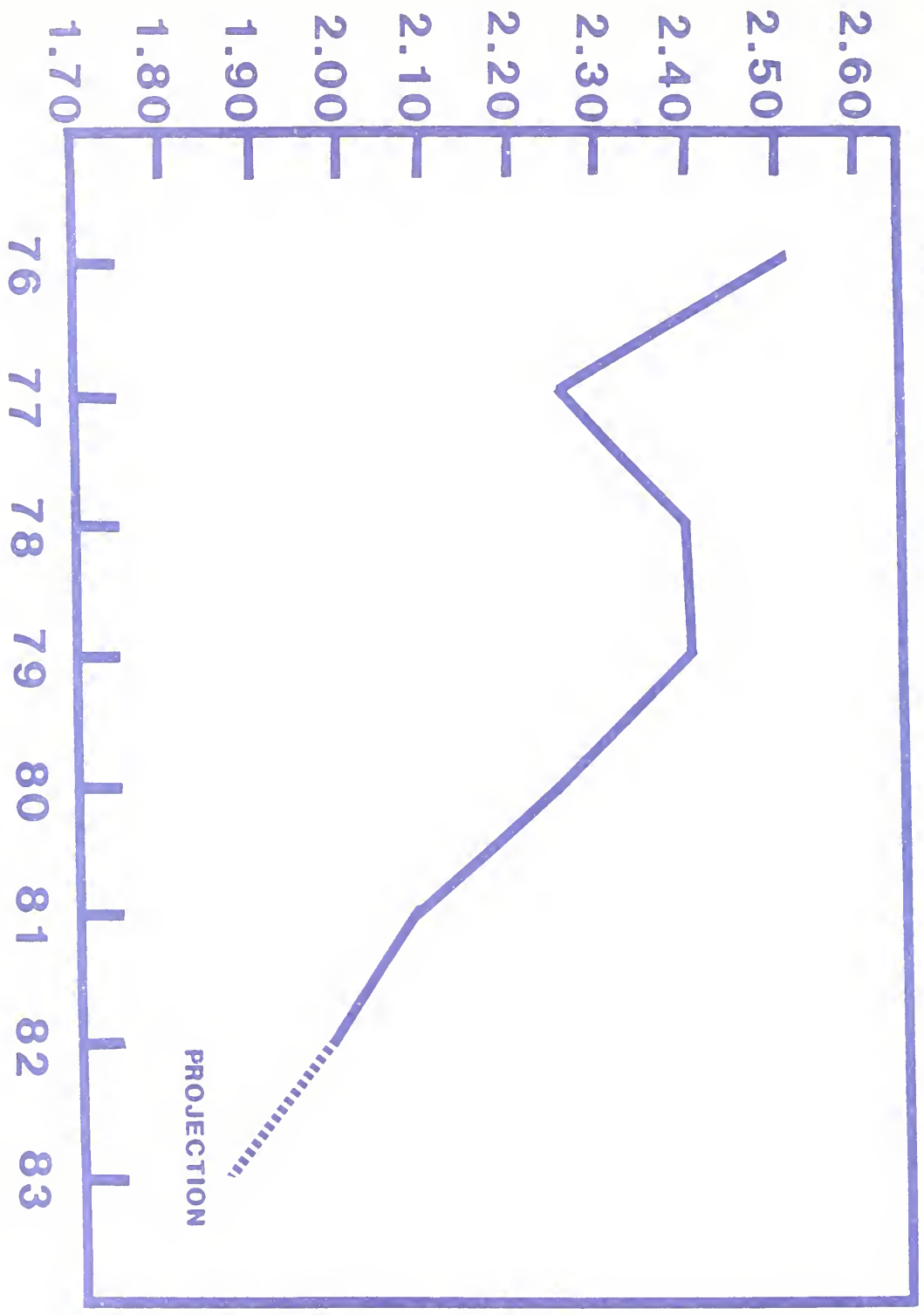


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C. P. I. VS. COMMODITY FUTURES PRICE INDEX

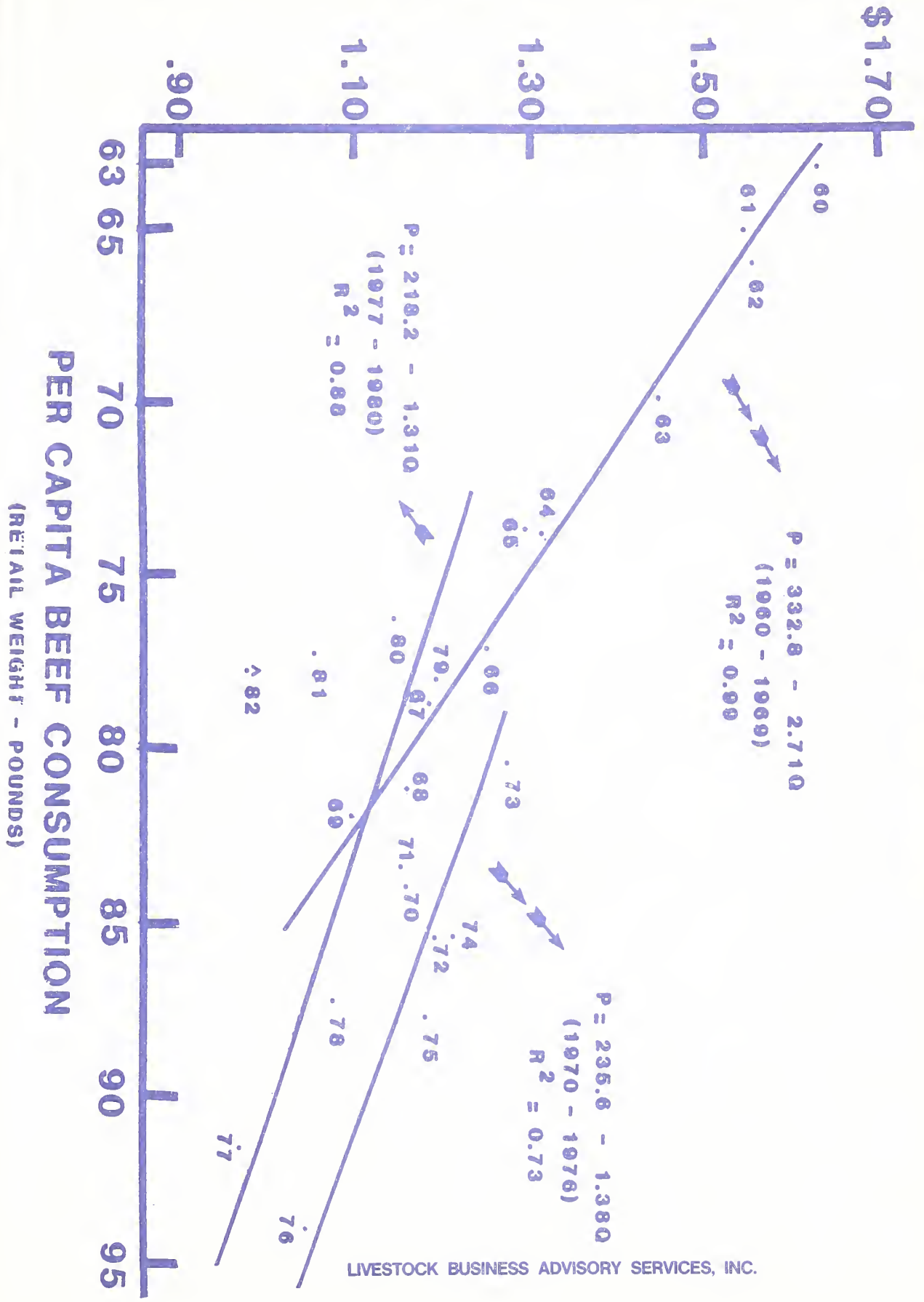


PERCENT OF DPI SPENT ON BEEF



INCOME DEFLATED RETAIL BEEF PRICES

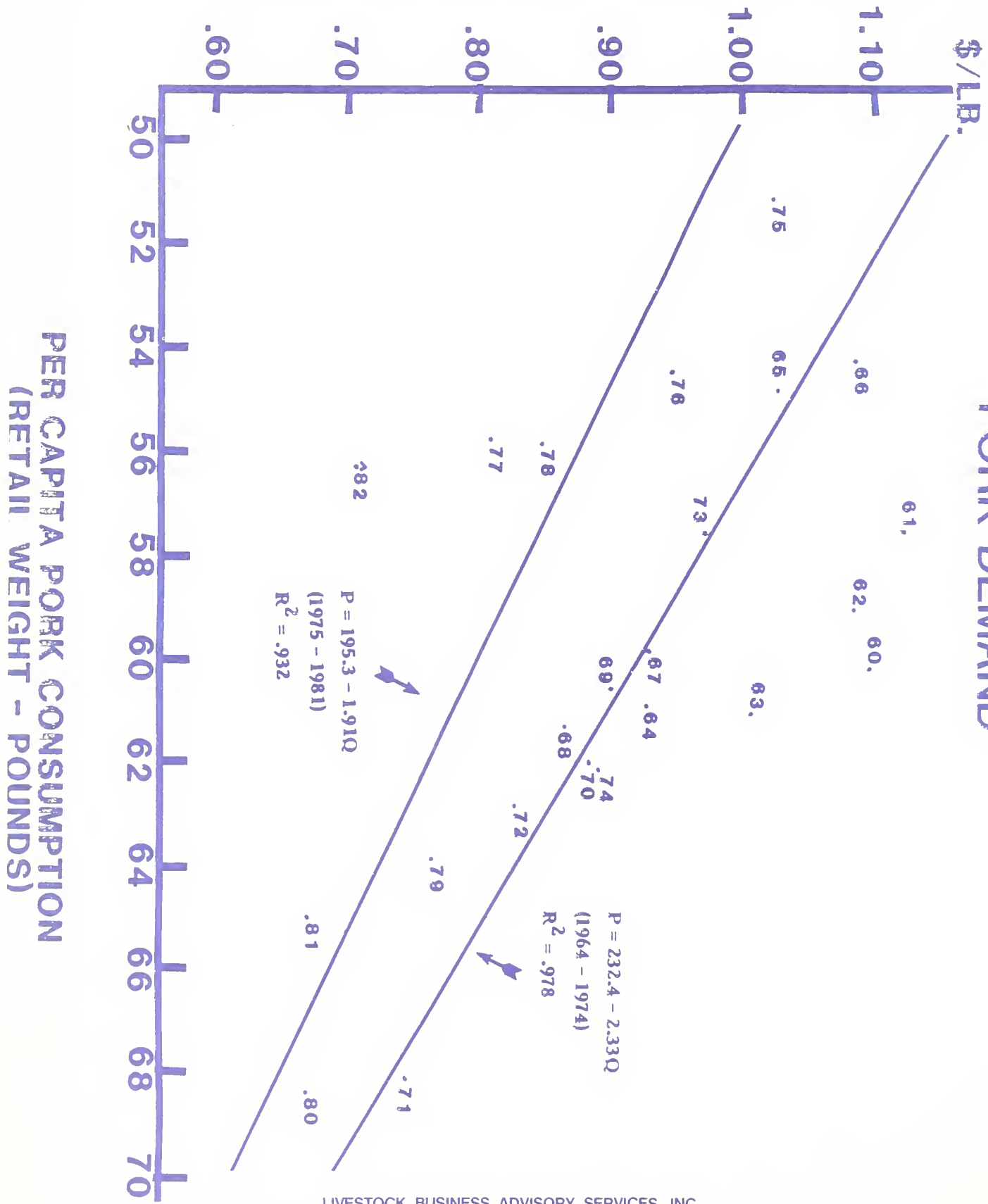
BEEF DEMAND



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PORK DEMAND

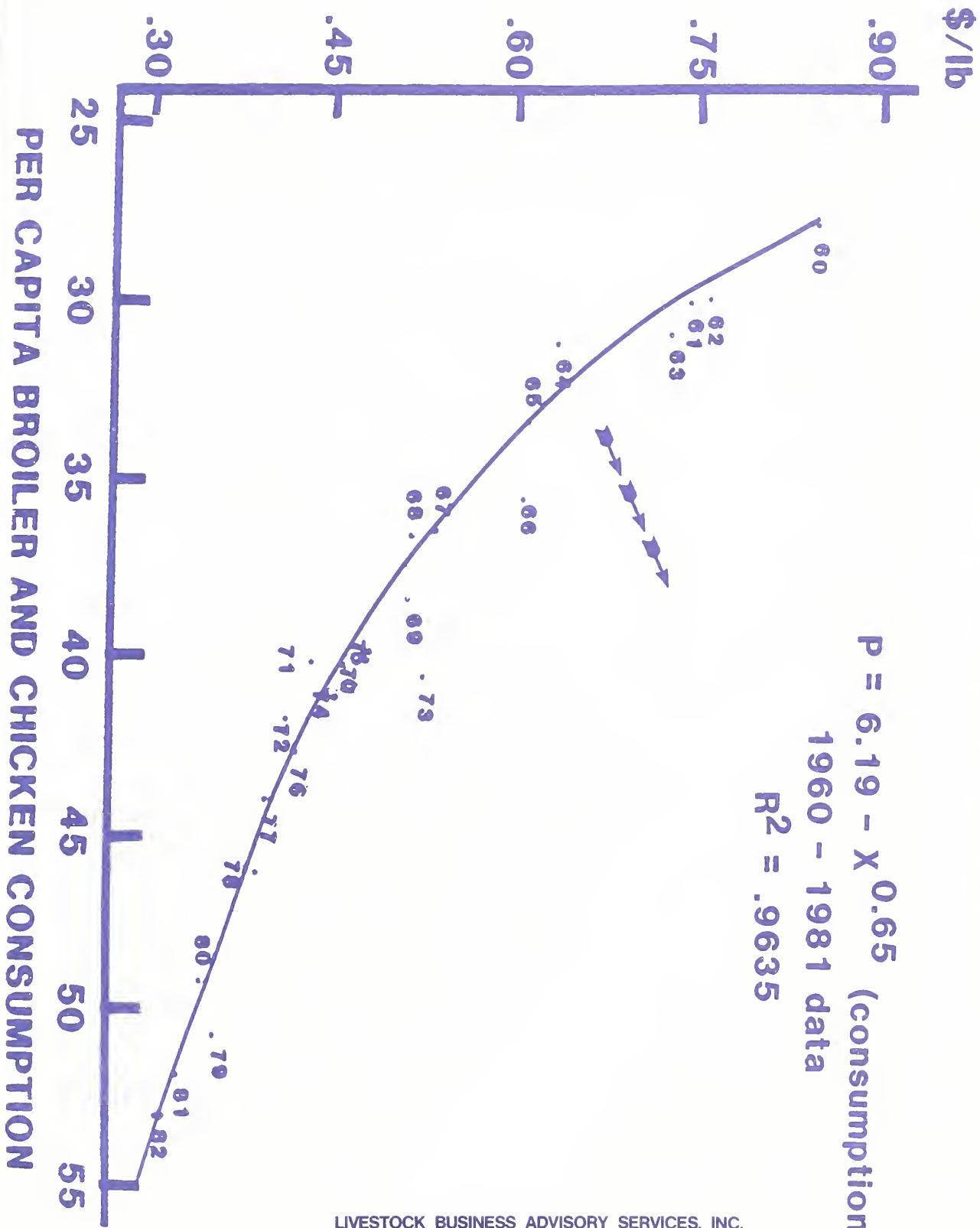
INCOME DEFLATED RETAIL PORK PRICE



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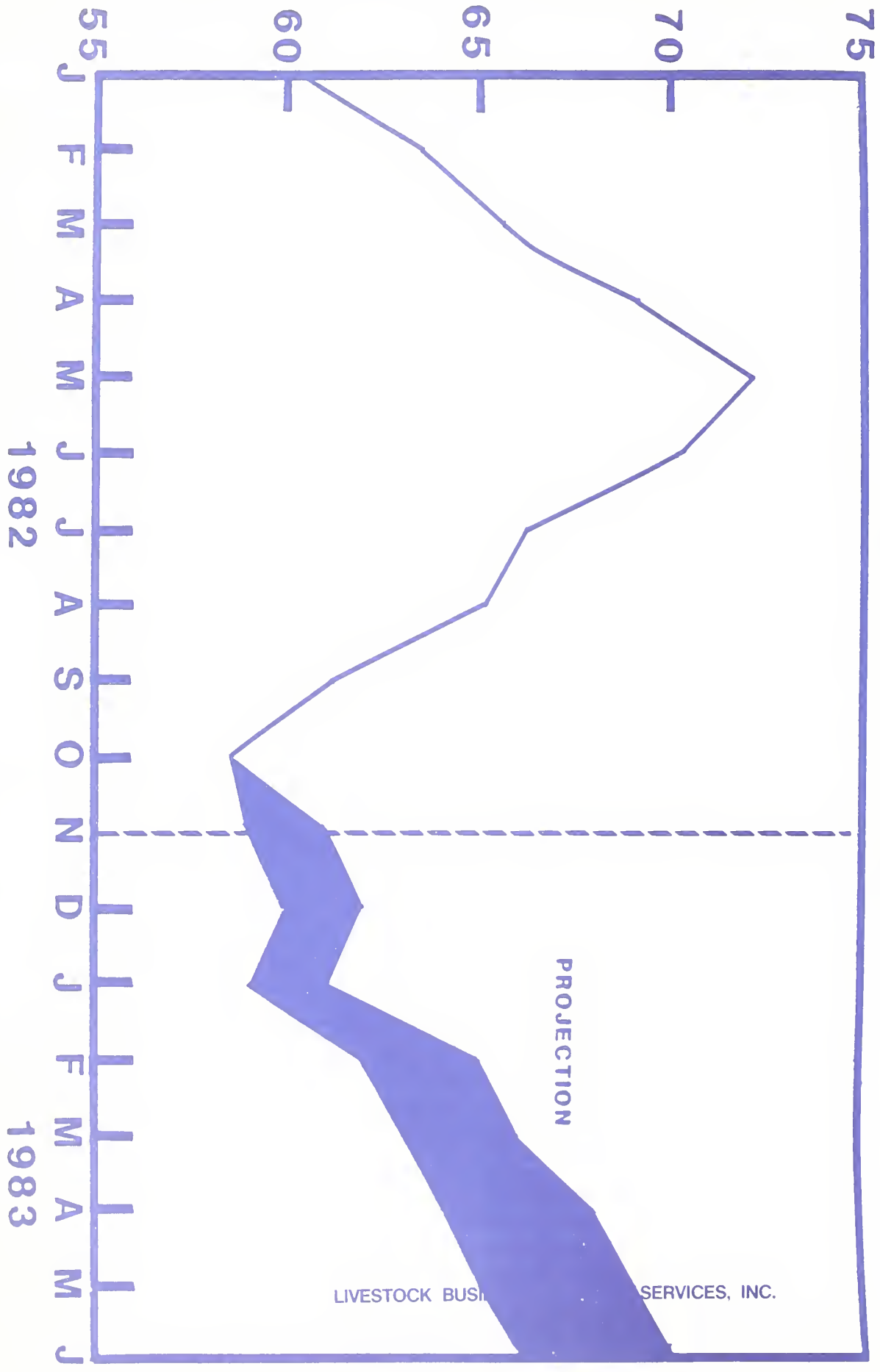
CHICKEN DEMAND

INCOME DEFLATED RETAIL FRYING CHICKEN PRICE



CHOICE STEER PRICE

DOLLARS PER CWT



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OMAHA HOG PRICES \$/cwt

