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OUTLOOK FOR LIVESTOCK AND MEATS

Talk by Donald Seaborg
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at the 1972 National Agricultural Outlook Conference
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Cattle and hog prices have risen sharply in recent months in response to smaller red meat supplies and strong consumer demand for meat. Cattle marketings have been about the same as a year earlier, but supplies of slaughter hogs have dropped sharply. Hog slaughter will continue lower than in 1971 throughout this year, but reductions will become much smaller than they were in January. Cattle slaughter is expected to rise moderately above year-earlier levels in late winter and spring and to continue above in the second half.

Cattle

The cattle inventory totaled nearly 118 million head at the beginning of this year, more than 3 million head over a year ago. This was the largest year-to-year increase since 1962. And we may see another sizable increase during 1972. A strong feeder calf market will encourage stockmen to continue building the beef breeding herd.

The beef herd has been increasing since 1958. The dairy herd has declined each year. Thus, beef cattle have accounted for all of the increases in the cattle inventory in recent years. On January 1, 1972, there were nearly 98 million beef cattle on farms, up from 94 million a year earlier. The increase during 1971 was somewhat larger than in other recent years. Beef cows and calves, accounted for most of the increase, rising 4 percent. Beef steers and heifers weighing more than 500 pounds (excluding heifers for breeding purposes) were up 3 percent. Stockmen were holding 6 percent more beef heifers for replacement purposes at the beginning of 1972. Most of the 1972 increase in the beef herd likely will also be in beef cows and beef calves.

The feeder cattle supply is also up again. There were about 1 million more beef steers, heifers, and calves on farms on January 1 (excluding animals already on feed). This will permit larger placements on feed in 1972.

Fed cattle marketings rose at an average annual rate of 7 percent during the 1960's. Larger beef calf crops and the trend toward feeding a larger percentage of all calves before slaughter accounted for most of the increase. Since most calves are now fed before slaughter, growth in cattle feeding in the 1970's will be tied much more closely to increases in the calf crop.

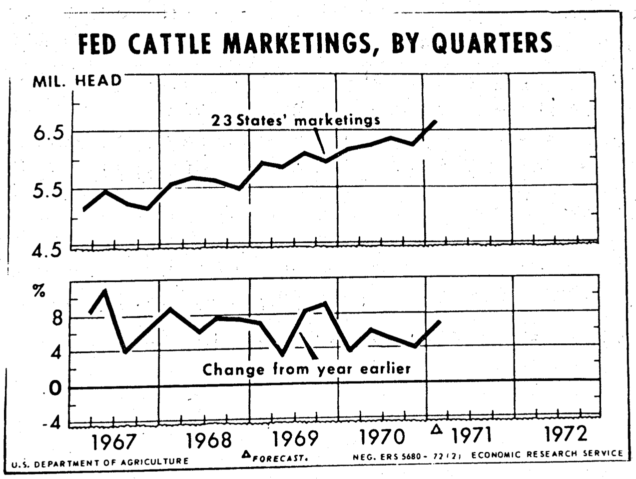
In 1970, fed cattle marketings were up 4 to 5 percent but last year the increase slowed to only 1 1/2 percent because of the small 1970 corn crop and because feeder cattle prices were high in relation to fed cattle prices.

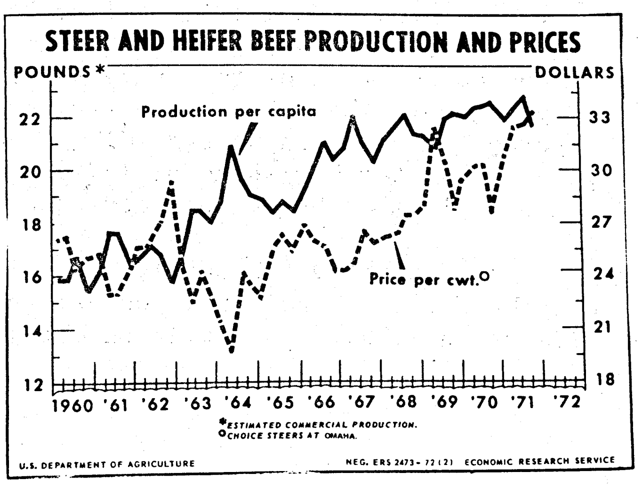
Fed cattle marketings probably will be up 4 to 6 percent this year. A large supply of lower cost feed, relatively high fed cattle prices, and a large feeder cattle supply will encourage cattle feeders to expand feeding in 1972. Also, there are already 9 percent more cattle on feed than a year earlier.

This year's beginning inventory of cattle on feed included 11 percent more cattle in weight groups that usually supply the bulk of first quarter marketings. And cattle feeders said they would market 7 percent more cattle this winter than last. However, fed cattle marketings rose less than that in the first part of the quarter, so marketings likely will be up only moderately during January-March.

Marketings during the second quarter are also expected to be moderately larger than a year earlier. There were only 2 percent more cattle on feed on January 1 in weight groups that usually supply more than half of spring marketings. However, there were 13 percent more light weight cattle on feed and these also figure importantly in spring marketings. And some cattle that would normally be marketed in the winter may be marketed in the spring this year.

Fed cattle marketings in the second half of 1972 are expected to continue moderately larger than in July-December 1971. Fed cattle prices in the first half of 1972 will be high in relation to feed costs, which will encourage cattle feeders to place more cattle on feed. Also, there is ample feedlot capacity.





Cattle prices strengthened during 1971. Choice steers at Omaha rose from about $29 per 100 pounds in January to nearly $34.50 in December, and averaged $32.50 for the year, $2 above 1970 prices. Prices rose despite a 1 to 2 percent increase in beef output, about 10 percent more pork, and a 2 percent increase in broiler production. Strong consumer demand for meat, associated with rapidly rising incomes, and a small reduction in beef imports helped boost prices.

Cattle prices in 1972 likely will average higher again even though beef production probably will be up 4 to 5 percent and broiler output will be somewhat larger. Pork output is dropping sharply this year and further rises in consumer incomes will spur demand for meat. On the other hand, imports may also rise.

Choice steers at Omaha in early February were $36.50 per 100 pounds, up about $4 from last October. With moderate increases in fed cattle marketings late this winter, prices likely will decline. But they are expected to hold $1 to $2 above prices in late winter last year when they were $32.

Prices this spring probably will average about the same or higher than in the second quarter of 1971 when Choice steers at Omaha were $32.60. Fed cattle marketings will be moderately larger and market weights may be heavier. However, less pork and strong consumer demand for meat will help bolster the cattle market.

In the second half of 1972 fed cattle prices likely will run near or below the July-December 1971 average of $33. Prices generally rose during the second half of 1971 as beef and pork supplies trailed off while consumer demand for meat was strong. Beef production probably will be moderately larger during July-December 1972.

Feeder cattle prices rose last fall despite the seasonally large fall movement from ranges into feedlots and to wheat pasture. Choice feeder steers, 550-750 pounds, at Kansas City averaged just over $34 per 100 pounds last July, but by the end of 1971 were topping $37, about $6 higher than a year earlier.

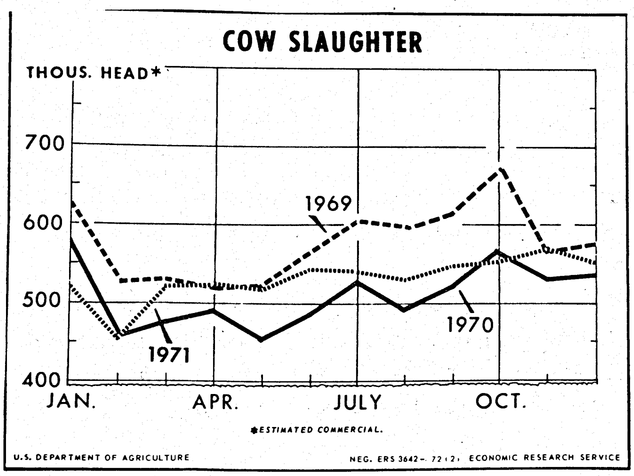
Feeder cattle prices rose in January along with the market for fed cattle. However, feeder cattle prices will rise little if any this spring since fed cattle prices likely will be lower by then. Nevertheless, first half 1972 feeder cattle prices will run several dollars higher than in January-June 1971 when yearling steers at Kansas City were about $34 per 100 pounds.

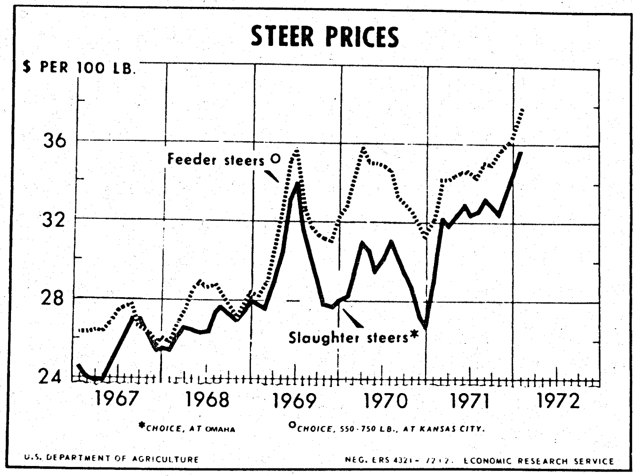
Cow slaughter was up 4 percent in 1971 following a 12 percent drop in 1970. The sharpest increases occurred last spring when drought in the Southwest forced many cows to slaughter. However, 1971 cow slaughter was still low in relation to the number of cows on farms--probably reflecting the strong calf markets of the past year or so.

Cow slaughter this winter is running larger than a year earlier, but spring slaughter probably will drop below 1971. In the second half, cow slaughter likely will be a little larger than in July-December 1971. Culling rates likely will not be altered significantly this year. There are more cows on farms, but cattlemen are expanding their herds because feeder cattle prices are favorable.

Utility cows at Omaha averaged \$21.60 per 100 pounds in 1971, slightly above 1970 and the highest since 1951. All of last year's increase came in the second half.

Cow prices will rise seasonally this spring, running above the April-June 1971 average of \$22. The larger output of fed beef in prospect for spring will dampen the spring rise in cow prices, but much smaller pork supplies will be offsetting. Second half cow prices likely will run as high or higher than prices a year earlier.





Hogs

Large cyclical swings have been the rule in the hog industry. And a sharp downswing in hog slaughter will dominate the 1972 hog situation. On December 1, there were 4 percent fewer hogs and pigs on farms in weight groups that reach slaughter weight in the first quarter. January slaughter was off 15 to 20 percent, but much of the drop appeared to be of a temporary nature, and reductions will be much smaller in late winter.

The number of pigs weighing under 120 pounds on farms December 1 was 7 percent smaller than a year earlier. This points to continue substantial reductions in slaughter supplies this spring. And second half 1972 slaughter will remain smaller because the December 1971-May 1972 pig crop is estimated to be 9 percent smaller than a year earlier. About 10 percent fewer sows are expected to farrow but average litter size probably will be a little larger than last year's below average spring litters.

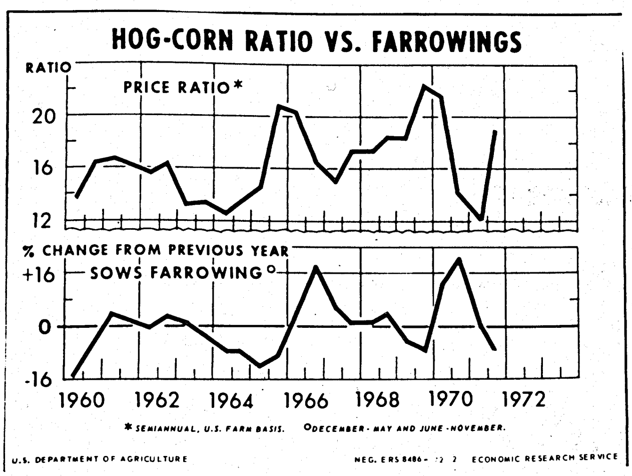
Barrows and gilts at 7 markets averaged $18.50 per 100 pounds in 1971, down $3.50 from 1970. The lower prices reflected the upsurge in slaughter during the first 3 quarters of the year. This year, hog prices will be considerably higher because hog slaughter is falling way off. In January when slaughter dropped sharply, prices of barrows and gilts rose to a weekly high of $27.70 per 100 pounds. This was more than $10 above a year earlier and nearly $9 above late summer prices. Prices fell off some in early February and there likely will be more pressure on prices in late winter and early spring with the usual bulge in marketings at that time.

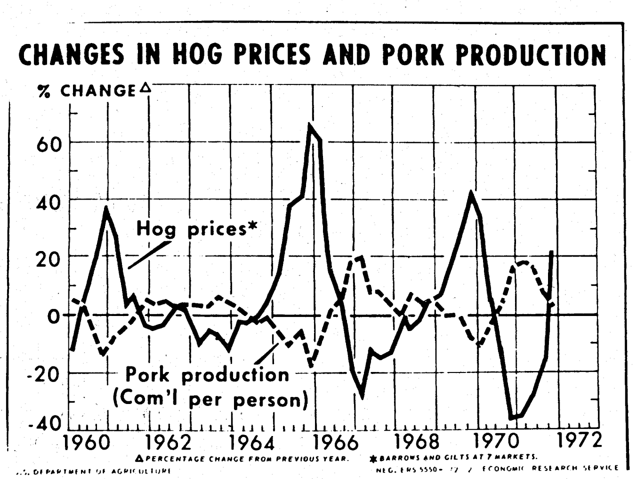
Prices will rise seasonally in late spring on their way to a summer peak well above last summer and probably above the 1970 summer high of about $25.40. Larger beef and broiler output in the months ahead will temper price advances for hogs, but continued strong consumer demand for meat will be an offsetting factor.

Hog prices will decline seasonally next fall, but likely will run well above the $20 average in October-December 1971.

Larger feed supplies and higher hog prices this year may encourage producers to market hogs at heavier weights.

The hog-corn price ratio (farm basis) rose from about 11 early in 1971 to 19 by late fall, reflecting declining corn prices and rising hog prices. In January, the ratio was about 21. High hog prices in the first half of 1972 along with low corn prices will maintain a hog-corn price ratio favorable to hog production. This likely will encourage some producers to begin to hold more gilts for expansion. Even so, the June-November 1972 pig crop likely will be smaller than in 1971.





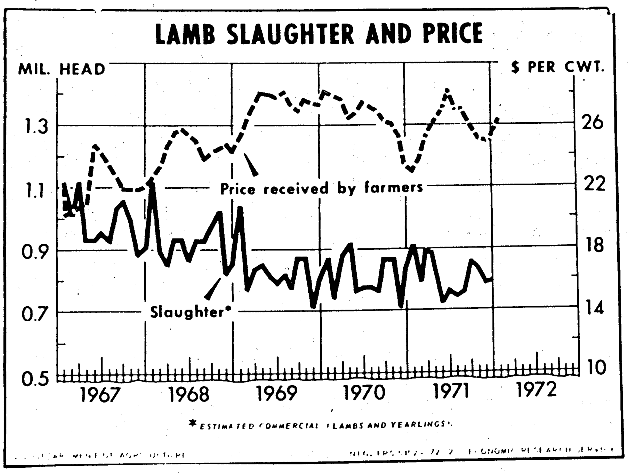
Sheep and Lambs

The inventory of sheep and lambs on farms fell 6 percent during 1971 to 18.5 million head at the beginning of this year. Numbers have declined each year since 1965. The number of ewes also was down 6 percent, with all but 5 States making a reduction during 1971.

The 1972 lamb crop probably will decline around 6 percent, reflecting a similar reduction in the number of ewes. However, the early lamb crop is off 19 percent, following the unusually large early lamb crop last year. Late lambs will be down much less. This will affect the 1972 slaughter pattern.

Sheep and lamb slaughter so far in 1972 has been moderately smaller than a year earlier even though there were 3 percent more lambs on feed on January 1. Slaughter will continue subpar through the rest of the year with the sharpest cuts in the spring. However, sheep and lamb slaughter will not be off enough to halt the long-term decline in the inventory this year.

Choice slaughter lambs at San Angelo averaged $27 per 100 pounds in 1971, slightly below a year earlier and $1.65 below 1969 when the lamb market was highest in several years. Choice slaughter lambs in early February were $28.50, up $5 from a year earlier. Fed lamb prices likely will continue steady to strong this winter and spring, averaging moderately above prices a year earlier. New crop spring lambs will probably be sharply higher and may exceed last year's early quotations (March-April) by $2 to $3 per 100 pounds despite a possible small increase in slaughter supplies of fed lambs. Slaughter lamb prices in the second half of 1972 likely will run somewhat above prices in July-December 1971 when they were $26.80.



Meat Consumption

Consumption of red meat in 1972 likely will average close to the 1971 average of 192 pounds per person. Increases in beef will be offset by declines in pork, veal, and lamb.

Beef consumption in 1971 dropped slightly to 113.3 pounds from 113.7 pounds in 1970. Production was up between 1 and 2 percent, but population growth and a small reduction in beef imports helped pull the average down. In 1972, beef consumption is expected to rise 4 to 5 pounds per person, reflecting a moderate increase in production. Veal consumption averaged only 2.7 pounds per person in 1971, down from 2.9 a year ago. A further decline is likely in 1972 as veal production continues to slide.

Pork consumption rose about 6 pounds per person in 1971 to almost 73 pounds. This year, however, with a steep cyclical downturn in slaughter underway, the average may fall 4 to 5 pounds. But, pork consumption will still be above the average of 64 pounds per person during 1961-70.

Lamb and mutton consumption in 1971 averaged 3.2 pounds per person, about the same as a year earlier. Consumption this year is expected to be moderately lower.