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ECONOMICS COMMENTATOR

SOUTH DAKOTA STATE UNIVERSITY

No. 368 October 28, 1996



LIVESTOCK -- U.S. PRODUCTION & PRICES

by

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This issue of the *Commentator* will be devoted to three major livestock issues: (1) production, (2) prices at the farm level, and (3) prices at the retail level. For production, a comparison of the recent situation to a year ago will be made. For prices, a comparison will be made both to a year ago and to the early 1990's.

Production (see Table 1)

Red Meat: Beef production in the first half of 1996 compared to 1995 was up by more than 5%. As a result, prices for slaughter cattle were lower in the first half of 1996 compared to 1995. By the third quarter, the impact of lower placements of cattle on feed (because of high corn prices) resulted in lower beef production. And, prices moved above 1995 levels, generally by \$5-7. Fourth quarter production should be close to 1995 levels. This probably will cause prices to drop. Total 1996 beef production should be about 25 billion pounds.

Pork production in the first three quarters of 1996 was below 1995. As a result, cash prices for slaughter hogs have been above 1995 levels, sometimes by \$10-12 and more recently by \$8-9. While pork production in the fourth quarter of 1996 should be close to 1995 levels, the export market may be strong enough to keep prices above 1995 levels. Total pork production in 1995 should be close to 17 billion pounds.

Lamb production in 1996, like pork, has been below 1995 levels all year. As a result, prices moved to record levels during the Spring of 1996. Total lamb production in 1996 should be about 250 million pounds.

Total red meat production is not a lot different in 1996 compared to 1995, except for the third quarter. In the first half of 1996, decreased hog production was offset by larger beef production. For the year, red meat production is estimated to be about 42 billion pounds, or down 2-3% from 1995.

Table 1. Meat Production - 1996 vs 1995

	1996 I	1996 II	1996 III	Est. Annual Production
Beef	+6.7	+4.0	-3.8	25 bil lbs
Pork	-2.3	-6.3	-3.6	17 bil lbs
Lamb	-6.3	-10.5	-7.0	250 mil lbs
Red Meat	+2.8	-0.1	-3.6	42 bil lbs
Broilers	+7.0	+3.0	---	26 bil lbs
Turkey	+7.0	+8.0	---	6 bil lbs
Poultry	+7.0	+4.0	---	32 bil lbs

Poultry: While the poultry industry did back off some in terms of the rate of increase in production in 1996, there still was an increase compared to 1995. For broilers, production was up about 5% in the first half of 1996, while turkey production was up 7%. Official third quarter production figures are not available. There are some indications that the high corn price did cause some decrease in poultry production. However, the large 1996 corn crop at lower prices probably will result in increased poultry production in the fourth quarter of 1996. Total production of broilers and turkey in 1996 is estimated to be about 26 billion pounds and 6.0 billion pounds, respectively. That means a total poultry production of about 32 billion pounds in 1996. That would be 4-5% above 1995.

Cash Farm Price (see Table 2)

There was some mention of farm cash prices in the previous section. In addition to those general comments, the following should be noted relative to prices in mid-October. Fed steer prices are above prices a year ago but about equal to the 1990-94 average. Feeder cattle prices are close to year ago levels but well below prices



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in the early 1990's. That means that cash farm income from the beef industry in 1996 likely will be close to last year's level but below that noted a few years ago. Look for fed cattle prices in the low to mid-\$60's in 1997 and feeder cattle prices in the \$60's.

Slaughter hog prices have dropped drastically during the last month or so. Even then, mid-October prices in the \$55 area were \$9-10 above both 1995 and the 1990-94 average. Feeder pig prices also are above 1995 and 1990-94 levels, but not by much. In general, high corn prices have had a larger negative impact on feeders than on slaughter animals. The positive impact from higher slaughter animal prices has been greater for feeder pigs than for feeder cattle. Look for slaughter hog prices to be in the low \$50's early in 1997, but dropping toward mid-\$40's later.

Slaughter and feeder lamb prices are below record early Summer highs. Currently, prices are close to 1995 levels but still are \$20 or so above early 1990's prices.

Table 2. Farm Cash Prices - Mid-October

	<u>1996</u>	<u>1995</u>	<u>1990-94</u> <u>Average</u>
Fed Steers	\$ 72	\$ 63	\$ 72
Feeders -- 5-600 lb	60	63	90
7-800 lb	64	66	85
Slaughter Hogs	55	46	45
Feeder Pigs 50-60 lb	50	40	45
Slaughter Lambs	82	80	60
Feeder Lambs	80	80	60

Retail Prices (see Table 3)

Some retail meat prices are higher than they were

last year and a few years ago, some are lower and some haven't changed much. A few examples follow.

Retail prices for all beef (includes everything from hamburger to steaks) were lower in mid-October than they were last year and in the early 1990's. However, the price of choice beef was about equal to the earlier time periods. In general, the retail price of beef, especially all beef, has dropped in recent months.

Retail prices for pork have increased in recent weeks and by mid-October were at record levels. Prices were above both last year's level and the 1990-94 average.

Retail prices for poultry, whole chickens and turkey, also are above the early 1990's levels. Prices for chicken have increased more than the price of turkey. In general, increased production has helped hold poultry prices in line.

Table 3. Retail Prices - Mid-October

	<u>1996</u>	<u>1995</u>	<u>1990-94</u> <u>Average</u>
All Beef	\$2.50	\$2.55	\$2.67
Choice Beef	2.82	2.84	2.83
Pork	2.35	2.00	2.07
Chicken (whole)	1.01	.94	.89
Turkey	1.07	1.07	1.02

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