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Toward Understanding Our Economy Community Economic Bases and Income Multipliers

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Livestock Outlook

by

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The combination of a plentiful supply of red meat and a demand picture which doesn't show signs of large positive changes should hold cattle and hog prices at unprofitable levels for most producers this fall. Some improvement should occur in 1984, but even then many producers still will be lucky to sell at breakeven prices.

Fed Cattle Outlook

Prices in the upper \$50's to low \$60's appear to be in line for feedlot operators this fall. Some price improvement could occur as early as late 1983, but the majority of any price increase is not expected until 1984, probably the end of the first quarter or early in the fourth quarter. Then, the mid \$60's are possible. If everything goes right, the \$70 level could be reached. Currently, that prospect doesn't appear likely to happen.

Beef supplies for the rest of 1983 are not expected to be much different than last year. Fed beef supplies may be slightly lower than in 1982, but non-grainfed beef supplies (cows, bulls and grass fed cattle) will make up for the decrease in grainfed beef. The non-grainfed category is the big question-mark, for both this fall and early 1984. Dry weather, poor pasture conditions, low roughage supplies in some areas and low calf prices may cause larger than usual culling from the beef cow herd. High grain prices likely will reduce the profitability of putting feeder cattle into feedlots, and therefore increase the number of animals marketed directly from a non-grain diet. And, culling of

dairy cows could vary considerably depending on the final content and passage date of a new dairy bill.

There is potential for anything from only a small increase in non-grainfed animals to a substantial increase. If the non-grainfed supply is only slightly above late 1982-early 1983 levels, total beef supplies, especially in 1984, could drop off enough to enable prices to reach the \$70 level. If non-grainfed supplies are sharply above year earlier levels, price increases in 1984 will be limited.

Feeder Cattle Outlook

Supplies of feeder cattle are about equal to year ago levels. However, the demand for feeder cattle as derived from the fed cattle industry is lower. Sharply higher grain prices without a corresponding increase in fed cattle prices have caused feeder cattle prices to reach low levels this fall. This low price situation is not expected to change much this fall. That means that prices at the \$60 level or slightly below for yearlings and the mid \$60's or slightly higher for the 400-500 pounders are expected.

Some improvement is expected in 1984. How much will depend on two factors, fed cattle prices and grain prices. As noted earlier, fed cattle prices have some upward potential in 1983. Grain prices have softened somewhat since August, but that area still is not settled. In total, upward price moves for feeder cattle appear to be more likely than lower or stable prices.

Hog Outlook

Large supplies of hogs should continue to hold hog prices around the upper \$30 to lower \$40 level through the rest of 1983. Whenever average daily slaughter of hogs is over 360,000 head per day (and it has been higher than that in October), downward price pres-

sure is there, especially when supplies of other redmeats are adequate at attractive prices.

While price improvement is expected early in 1984, improvement to levels above the mid \$40's is unlikely during the first quarter. The lower prices go this fall, the quicker will be the price recovery and the more substantial is the recovery likely to be. The \$50 level certainly is possible by mid-1984.

The low price level expected for this fall and early 1984 along with high grain prices will combine to hold feeder pig prices at generally unprofitable levels through the rest of 1984. Again, higher prices in 1984 are expected, but the extent of any gains will depend on what happens to slaughter hog prices.

Demand Situation

In the previous discussion, the supply factors affecting the outlook for livestock were emphasized. The demand side also is important. However, demand isn't expected to improve enough to cause sharply higher prices. The condition of the economy in general is much

as it was last year. Unemployment may have eased a little, but lower disposable real income, high interest rates, and higher non-food prices have combined to give a relatively constant outlook for the economy in general.

Large pork supplies at low prices will hurt the demand for beef this fall. Potentially large supplies of non-grainfed cattle slaughter, especially dairy cows, will hurt the demand for other red meats. Possibly some decrease in poultry supplies at slightly higher prices could help the demand for red meat. In total, the impact from the demand side won't be much different than late last year.

Conclusion

Generally, unprofitable prices for both hog and cattle producers should be the rule for the rest of this fall and early 1984. While some price improvement is expected in 1984, there are many variables which could alter those expectations. In total, the risk for further downward movements in price appears to be lower than the hope for higher prices.

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