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MEAT IS A BARGAIN

MEAT PRICES HAVE MADE THE HEADLINES AGAIN. The USDA is predicting an increase of 10 cents per pound in the average retail price of choice beef in 1977, and a possible reduction of about 5 cents per pound in the retail price of pork. If these predictions hold up, retail beef prices would be a record high $1.49 per pound, *in terms of current dollar value.*

What if inflation is taken out and the *real* price of beef is examined? Measured in terms of 1972 dollars, the average retail price of beef for 1976 will be at a record low. If USDA projections are correct, the average will increase by only 1.3 percent in 1977. Beef prices in 1977 would then be the second lowest on record. Constant-dollar beef prices were the highest in 1951 on the average, and were then 50 percent higher than in 1976.

Similarly, the average retail price of pork is at a record high in 1976, measured in current-dollar value (inflation included). However, in real terms, retail pork prices in 1976 averaged slightly lower than in 1950 and 1951. In real terms, the projected 1977 average retail pork price will be the lowest since 1972, and only slightly higher than during the 1960's.

Consumers can expect low meat prices in 1977 on the average. However, income with which to purchase beef and pork should be at record levels. Per capita disposable income--the income remaining after direct federal, state, and local taxes are paid--is estimated at $5,500 in 1976 and is projected at $5,958 in 1977. Again, if income is measured in *real* terms, disposable consumer income is projected at a record high level in 1977. If realized, this would be 60 percent greater than in 1951.

Not only are price levels important in consumer purchasing decisions, but the relative prices of goods and services also affect the allocation of consumer dollars. From 1950 through 1976, the average price of all consumer items increased by 150 percent, while the retail price of choice beef increased 86 percent.

WHAT MAKES PRICES? Beef prices are determined by three major factors: the per capita availability of beef, disposable consumer income per capita, and inflation. All other factors being equal, the more beef available, the lower the price. Conversely, the higher consumer income, the higher the price of beef. For 1977, the availability of beef per capita is expected to total about 121 pounds, compared to about 128 pounds in 1976. Availability was high in 1976 due to a high level of non-fed beef slaughter. The 121 pounds per person projected for 1977 would be very similar to the 1975 level. Reduced availability coupled with higher consumer incomes are expected to push retail beef prices up only 1.3 percent in 1977. Comparatively, inflation will add an additional 6 percent to the price of beef in 1977.

Due to an expected increase of about 7 pounds in the per capita availability of pork next year, the real price may decline by about 9 percent. Because of inflation, however, the retail price of pork is likely to be down by less than 4 percent.

If the 1977 price and slaughter estimates for beef and pork hold up, the average consumer will spend about 3.6 percent of his disposable income for beef and pork next year. This would be the smallest percentage ever.

In spite of recent headlines, meat is a bargain.

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