



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

June 23, 1982

WILL LIVESTOCK PRICES CONTINUE TO BE STRONG THROUGH 1982?

PRICES OF HOGS AND CATTLE HAVE INCREASED SHARPLY DURING 1982, and hog production and cattle feeding have turned from unprofitable to profitable operations. The average price of hogs at the seven principal markets was about \$45 in January and is now above \$60.00. The price of choice steers at Omaha has increased from \$61 to \$73. Will the current prices hold and relatively high profits continue? Some decrease from the high summer prices should be expected as a result of normal seasonal increases in supplies, particularly during the October-December quarter. The judgement of the market is that the decreases will be large. On June 15 August hog futures closed at \$56.97 and December futures closed at \$53.07. On the same day August cattle futures closed at \$63.35 and December futures at \$60.07. These prices are substantially lower than current cash prices.

On June 11 USDA released estimates of meat production during 1982. Beef production is estimated to be 22.4 billion pounds, exactly equal to the 1981 level. If this estimate materializes, per capita consumption will be down 1.5 percent. The USDA estimate of 1982 pork production is 13.8 billion pounds, 13.2 percent less than in 1981. The USDA expects the combined production of broilers and turkeys to decrease slightly from last year's level. The civilian per capita availability of red and poultry meat during 1982 will be 195.5 pounds, compared to 207.9 pounds in 1981, a decrease of 7 percent. The USDA projections indicate a third-quarter decrease of 3.2 percent in production of all meat and a fourth-quarter decrease of 5.8 percent from year-ago levels.

Meat production per capita during 1981 was at record levels. The estimates for 1982 are about equal to the per capita levels of the first half of the 1970s. Thus, the primary case for continued strong livestock prices is a decrease in supply. It was necessary to keep retail prices relatively low during 1981 to induce consumers to buy record quantities. Even so, meat and livestock prices were lower than expected, indicating that consumer demand shifted away from meat. The cause of this slack demand is unknown, and it is uncertain how much money consumers will spend in an attempt to maintain high consumption levels.

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

Any attempt will be in vain, however, because of decreased production. The question is how strong the attempt will be.

Three factors suggest that consumer demand may increase during the second half of the year. First, an income tax cut that takes effect July 1 will put more money into consumer pocketbooks. Second, social security benefits will increase effective July 1. Finally, interest rates appear likely to remain high, which will discourage the purchase of expensive items and leave more money for products such as meat. Also to be considered is the possibility of a general recovery from recession, which is being forecast by many people. Economic recovery would add to consumer demand.

This letter was written before the June 22 release of the Hogs and Pigs survey information, and the pork supply projections are therefore based on the March 1 survey. A turnaround toward more output by hog producers would be contrary to our expectations and would reduce the likelihood of continued high hog prices. The combination of high profits and large supplies of feed will eventually result in increased hog production. We doubt, however, that hog producers will plan a major increase as long as interest rates remain high and the size of the 1982 grain and soybean crops is uncertain.

Prepared by Thomas A. Hieronymus, Professor Emeritus, Agricultural Economics

Darrel Good

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

