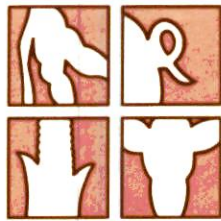




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# WEEKLY OUTLOOK

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

May 15, 1985

## MARKET FOR MEAT MAY BE SATURATED

CONSUMER DEMAND FOR MEAT CONTINUED TO DECREASE during the first quarter of 1985. The decrease is an extension of the decline that started in 1980. The retail weight of production of the principal meats--beef, pork, broilers, turkeys--increased 1.5 percent from the first quarter of 1984; the retail value of production decreased by .9 percent; and the weighted average retail price decreased by 2.4 percent. On an inflation-adjusted basis, the retail value of production was down 3.4 percent and the weighted average retail price was down 4.6 percent. The sustained decrease in the retail demand for meat is at the core of the financial problems of Midwest agriculture.

Current production of meat per capita is at a record level, but is not substantially greater than the level reached in 1980 and essentially sustained since then. On a carcass weight basis, production per capita increased from 209.4 pounds in 1969 to 226.8 pounds in 1971 as the result of a large increase in hog numbers, and decreased to 210.2 pounds in 1975 as the result of crop shortages and high grain prices. During the 1975-79 period, production per capita averaged 221.6 pounds. The average for 1980-84 was 227.8 pounds. There has been a significant change in the mix. From 1969 to 1984, beef production increased 1.7 percent, pork 15.2 percent, broilers 102 percent, and turkeys 80 percent. Production and consumption of meat per capita increased continuously from the end of World War II until about 1980 and appear to have stabilized at the 1980 level.

Market size is measured by both quantity and value. The retail value of production increased throughout the 15-year period 1969 through 1984. But much of the increase was illusionary because of inflation. On an inflation-adjusted basis, the retail value of production of the four principal meats increased from \$30.0 billion in 1969 to \$39.4 billion in 1973. During the 1973 through 1979 period, the retail value ranged between a low of \$36.0 billion in 1977 and a high of \$40.1 billion in 1979. The inflation-adjusted value has declined each year since 1979 and was \$34.5 billion in 1984, a decrease of 14 percent in five years. The changes are somewhat more dramatic on a per capita basis. On an inflation-adjusted basis, value per capita was \$150.7 in 1969, \$187.9 in 1973, \$179.9 in 1979, and \$147.7 in

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1984. The annualized rate during the first quarter of 1985 was \$142.7. Inflation-adjusted prices followed a similar pattern, rising from 71.9 cents in 1969 to 90.1 cents in 1973 and decreasing to 64.2 cents in 1984.

The inflation-adjusted retail value of beef production increased from \$16.0 billion in 1969 to a peak of \$21.8 in 1979 and decreased to \$18.6 billion in 1984. Pork value was \$10.6 billion in 1969, \$12.6 billion in 1979, and \$10.0 billion in 1984. Broiler value rose from \$3.0 billion in 1969 to \$4.5 billion in 1979 and \$4.7 billion in 1984. Turkey value increased from \$0.8 billion in 1969 to \$1.2 billion in 1979 and \$1.1 billion in 1984.

From 1979 to 1984 in current dollar terms, beef value rose 16.5 percent, pork value 8.4 percent, broiler value 42.1 percent, turkey value 27.3 percent, and retail value of the four, 17.2 percent. During the same period, the general price level rose 36.7 percent, and disposable personal income rose 56.3 percent. The share of consumer income spent for the four meats rose from 4.1 percent in 1969 to 4.4 percent in 1975, held steady at 4 percent from 1976 through 1979, and has since decreased to 3 percent.

The upshot of all of this is that current production levels may be all that consumers will absorb and that changes in consumer preferences may be such that current production can be absorbed only at decreasing inflation-adjusted prices. This is in sharp contrast to the growth of markets experienced during the 1960s and 1970s.

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