Bargain Day at the Meat Counter

Meat, particularly beef, has been making headline news since July 1952, when cattle prices started to drop sharply. Consumers wait expectantly for bargains at meat markets. Livestock producers, on the other hand, fervently hope for relief from the pain of rapidly shrinking gross incomes. Each group may, in some measure, realize its hopes.

The price of meat went down . . . .

At Atlanta, Georgia, commercial grade beeves, which are in greater supply in the District than beeves of higher quality, held steady at a price of about $29.00 per 100 pounds liveweight from May 1951 to July 1952, when the price began to fall precipitously to reach $20.39 by November. Medium grade 160-180 pound barrows and gilts selling for $17.00 at Atlanta in December 1951 were 75 cents lower in December 1952.

Both wholesale beef and pork prices, following the lead of liveweight prices, have tended down since October 1951, but pork prices have fluctuated more than beef prices. A composite of fresh and cured hog products, including lard, had an average wholesale price of $37.93 per hundred pounds in August 1952. By November the price was $30.59. Although prices of even the best grades of beef on the hoof were falling sharply in late 1952, choice steer carcass beef of the 500-600 pound weight at Chicago declined moderately from $54.56 a hundred in August to $52.40 in November.

Prices of the retail cuts of rib roast and chuck roast at Atlanta held steady or actually advanced. In December 1952, rib roast was selling at 87 cents just as it was in August. Prices of hamburger and frankfurters, made from poorer quality beef, changed promptly. In August 1952, hamburger was 64 cents a pound and frankfurters were 67 cents. By December, hamburger was down to 54 cents and frankfurters were down to 59 cents.

Among the pork cuts, bacon prices fluctuated more than ham prices. In July 1952, when live pork prices started down, pork at wholesale moved up in price and the retail price of sliced bacon advanced to 72 cents a pound, where it stayed until October when it fell to 69 cents and ultimately to 62 cents by December. The price of ham did not rise when live hog prices started falling in 1952, but it did hold at the 69-cent level during August and September and then declined to 67 cents in October. In December, ham was selling for 63 cents. Retail prices of sliced bacon and ham in the last half of 1952 were, in general, above the levels of the same period a year earlier.

In spite of high-level demand and consumption

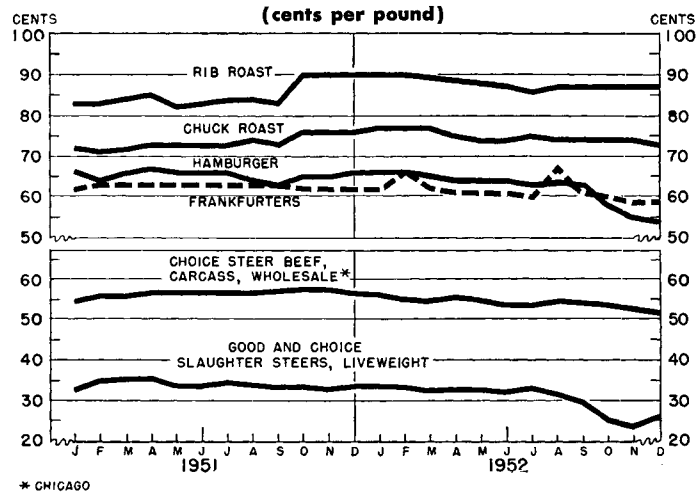
A gradual decline in the general price level since early 1951 has reflected effects of strong forces, notably improved worldwide supply conditions and a slowing down of inflationary pressures. These broad forces naturally affect meat prices, but most important in the recent sharp decline has been the meat supply and demand situation, which determines the price of meat in relation to the general level of all prices. And demand conditions were less potent in the 1952 decline of cattle prices, it would seem, than supply conditions.

The overriding force in high-level food consumption, including meat, is a large disposable income in the hands of many people. Such income in the last quarter of 1952 was running at $1,541 for each of the 157 million persons in the United States; it was $1,457 per person in 1951 and $1,355 in 1950. Of the record disposable income last year, about $406, or approximately 26 percent, was spent on food products. This proportion has varied little since 1946, and if it holds for this year, the prospective larger per-capita disposable income will mean more food dollars spent by the average consumer. Because nearly one-quarter of total food expenditures is for meats, consumer dollar purchases of all meats would no doubt continue high, with emphasis on better quality and choice cuts since consumers switch to these as their incomes rise or prices fall. When consumers move from a low income level to a higher one, they buy more meat, with the amount of increase in their meat purchases depending on the income level they are shifting from.

The net effect of income changes and other influences, such as habitats and sizes of families, on meat use last year was a total red meat consumption of 145 pounds per capita. This was 5 percent above 1951 consumption and one percent above that of 1950. Pork led in consumption last year with 72 pounds used per capita. Beef consumption per person amounted to 62 pounds, veal 7 pounds, and lamb and mutton 4 pounds. The increase in red meat consumption in 1952 occurred in beef, with an 11-percent gain; pork consumption held steady. Each year since 1948 people have eaten more poultry and by 1952 were consuming 36 pounds per person.

By year's end, retail prices of meat were working down in spite of these levels of consumption. Falling retail prices undoubtedly will help increase meat purchases, though less than proportionately, since per-capita con-

Prices of Beef, 1951-52, Atlanta, Georgia
Retail Cuts, Carcass, Liveweight



sumption of livestock food products as a group (all meat, poultry and eggs, dairy products) according to the relationship existing in the period 1922-41 rises about one percent in response to a decline of 1.6 percent in the average retail meat price. Consumption of beef increases one percent with a 1.06 percent decrease in retail price, whereas pork consumption increases one percent with a drop of 1.16 percent in price.

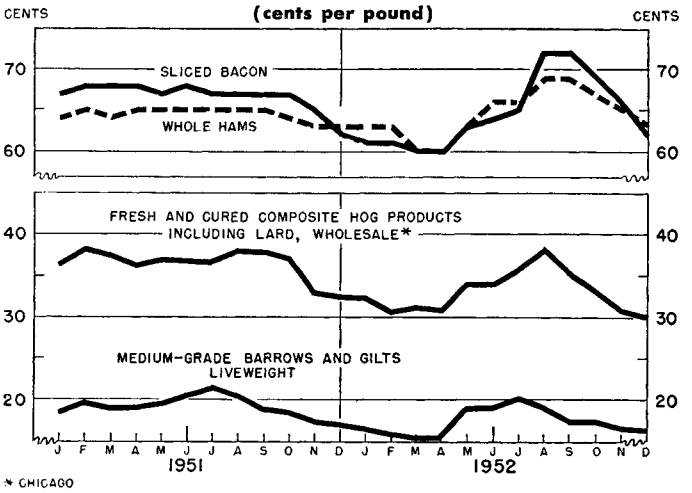
High levels of consumption at high prices, growing population, growing disposable incomes, and more families entering higher income brackets meant a strong consumer demand for meat last year and indicate a continuing strong demand in 1953. They do not support the conclusion that a slackening of consumer demand has been responsible for the decline in cattle prices. But farmers' demand for steers to put into their feed lots for fattening was weak in the summer and early fall months of 1952. They had seen feeding margins per hundred pounds—their return on the feeding operation—shrink from a peak of $10.03 in April 1951 to as low as $0.49 in December 1951 and hover between $1.18 and $2.98 through August 1952. With these prospective margins, feeders chose to delay buying cattle. Circumstances worked to their advantage; dry weather in the range country forced an abnormally heavy sell-off of cattle in late summer, which pushed prices below the normal seasonal decline. Cattle feeders ultimately did step-up their buying to the extent of placing in their feed lots a record number of cattle by January 1—about 16 percent above a year earlier.

Large supplies pushed them lower . . . .

On the supply side, increased production of meat has been prominent in bringing cattle prices down. The amount of meat, liveweight basis, put on the nation's markets was 187 pounds per capita in 1952, up about 8 pounds since 1951 and 9 pounds since 1950. Red meat output, most important in this gain, was being supplemented by a growing poultry production.

Favorable prices leading to an expansion of breeding herds brought about a rise in numbers of cattle on farms starting in 1949. Despite adverse weather in some regions, numbers on farms continued to increase in 1952 and by 1953 amounted to more than 93 million head. The cyclical upswing is still under way and numbers on farms in 1954 and even 1955 will likely be larger. After the normal two-year lag, numbers and pounds of cattle slaughtered started to rise in 1951. National slaughter of cattle and calves was 17.5 billion pounds in 1951 and 19 billion in 1952.

Prices of Pork, 1951-52, Atlanta, Georgia Retail Cuts, Hog Products, and Liveweight



The high price of hogs per hundred pounds relative to the price of corn per bushel led to record pig crops in 1950 and 1951. Part of the 1951 crop went to market in 1952, and along with growing beef supplies helped to depress meat prices. Recently, an unfavorable hog-corn price ratio has turned some farmers from pork production; pork supplies, according to farmers' intentions, will be reduced in 1953.

The natural increase in beef slaughter resulting from the cycle, the large supply of pork, the record supply of poultry, and the normal seasonal increase in marketings would ordinarily have had a depressing effect on beef prices in late 1952, assuming the level of demand stayed approximately constant. But a sudden upheaval in supply conditions in the last half of the year did major price damage. The forced selling of grass-fed steers from dry areas loaded the market with more than could be absorbed as feeder cattle and slaughter cattle at that time without a severe price break. Such abnormal supplies have a severely depressing effect on farm prices of meat animals, since a one-percent increase in meat production brings a 1.6 percent decrease in the farm price, according to the relationship in the 1922-41 period. Cattle prices under such conditions decline 1.19 percent, and hog prices, 1.54 percent.

And will continue to be a pressure in 1953

Beef prices in 1953 may average somewhat lower than in 1952, more as a result of changes in supply than in demand. With consumer incomes at a high level in 1953, demand for meat should remain strong. Demands for feeder cattle this year will hinge on current and prospective feeder margins. A downward drift in cattle prices with corn under price support would hamper the improvement of feeder margins, and demand for feeder cattle may not, in consequence, be exceptionally strong.

Pork is expected to be in short supply. Recently, hog prices as well as some cattle prices have strengthened. Hog prices may average higher in 1953 than last year, but it remains to be seen whether reduced shipments of hogs will more than offset increased shipments of cattle and bring about a yearly average price for cattle approaching that of 1952. The record numbers of cattle on feed and the anticipated increase of 15 percent in beef slaughter, together with the probable continued growth in poultry meat production, raise some doubt about such an eventuality.

During the early part of the year, the possibility of larger than normal seasonal marketings of fed steers from the record numbers in feed lots may make any springtime rise in average cattle prices a feeble one, even though there may be a strengthening in demand for stockers to replace liquidated herds. Continued adverse weather in the range areas would aggravate the shortage of grass, would renew the selling-off of animals from those areas, and would create once again an abnormal supply situation with its overly depressing effect on cattle prices.

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