The Meat Situation

The current tight situation in meat is perhaps the most troublesome food problem that faces the country today. Of all war-created civilian shortages, the one in meat has most perturbed the average American. There are perplexing problems in all phases of the industry—production, processing, and distribution—that defy easy solution.

The Eighth District has a large stake in the meat industry since livestock production is a major agricultural activity throughout the region and meat packing is an important segment of the district's industrial structure. In 1940 cash farm income from livestock and livestock products represented nearly 60 per cent of the $650 million total farm income in the district. A large part of this livestock income came from sale of meat animals.

Meat packing is widely scattered throughout the district in both large and small plants. The major district cities have sizeable meat packing industries, with St. Louis leading for the district. In 1939, the latest year for which Census data are available, meat packing-wholesale ranked fourth among all industries in the St. Louis industrial area in value added by manufacture and was third in number of wage earners employed.

BASIC CAUSES OF MEAT SHORTAGE

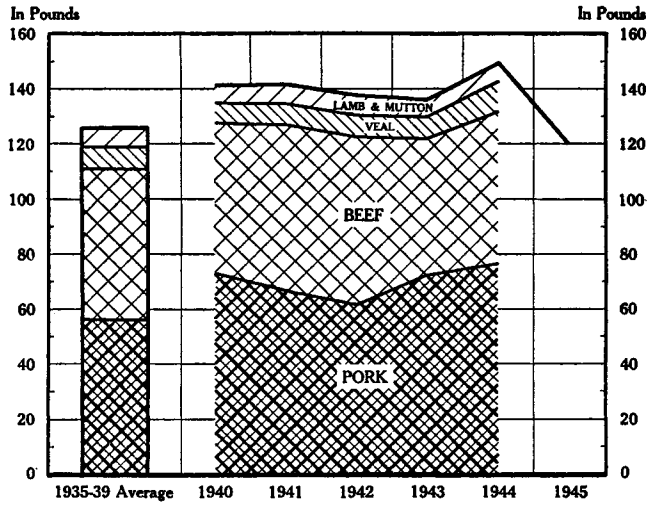
Basically the meat shortage in the United States has been due to the fact that the increased supplies of meat did not keep pace with the even sharper increase in demand. Americans have always been large consumers of meat. Demand for meat is elastic and as consumers' incomes rose under the impact of war spending, one of the early effects was to increase the demand for meat and meat products. Meat rationing was instituted in April, 1943, when it became obvious that civilian demand was outrunning supply.

Between 1935 and 1939 the United States produced on the average about 16.5 billion pounds of meat annually. Production showed a steady increase during the war years and reached a record-breaking total of 25.2 billion pounds in 1944. This year meat supplies will decline by about 10 per cent to a total of 22.6 billion pounds. Output of beef and veal is expected to rise to another new high, but pork production will be down about 20 per cent. The current reduced meat supplies, even though still substantially above prewar levels, come at a time when the needs of the armed services are still rising and when domestic purchasing power is at its wartime peak.

As shown on the accompanying chart, per capita civilian meat consumption has until recently been above the 1935-39 average of 126 pounds. In 1940 and 1941 per capita consumption amounted to about 141 pounds. It declined slightly during the next two years but, when civilian rations were increased in 1944, per capita civilian consumption increased to almost 150 pounds. As the supply situation became tighter, the point values on meats were increased and consumer supplies were further restricted. During the second quarter of this year per capita civilian meat consumption was reduced to an annual rate of about 115 pounds. While some improvement is indicated for the latter half of the year since the Government will take a smaller percentage of the total supply, total per capita consumption for the year as a whole is not likely to exceed 120 pounds. On the basis of present high consumer purchasing power it has been estimated that without controls per capita meat consumption would be at the rate of about 170 pounds annually.[1]

CHART I

MEAT CONSUMPTION PER CAPITA IN THE UNITED STATES



SOURCE: United States Department of Agriculture

In addition to quantities consumed as a result of high civilian demand, substantial amounts of meat have been taken by the armed services and for export to our Allies. In 1944 the requirements for the armed services, which include relief feeding, amounted to about 4 billion pounds, while exports including lend-lease shipments totaled about 2 billion pounds. In 1944 lend-lease exports were about 6.5 per cent of total meat supply. The requirements for the armed services are still rising and are expected to amount to about 5.4 billion pounds this

[1]H. Rept. 504, 79th Cong., 1st sess., P. 5—Preliminary Report of the Special Committee of the House of Representatives to Investigate Food Shortages, May 1, 1945.

year, which will be offset to some extent by a drop in exports.

PROBLEMS OF THE LIVESTOCK PRODUCER

Prices and feed supplies are of primary concern to the livestock farmer. In the absence of reasonable assurance that price-feed relationships will make feeding profitable, the farmer has little incentive to increase production.

During the early war years feed was plentiful, demand strong, and prices of meat animals advanced rapidly. As a result livestock production rose sharply. As shown on the accompanying chart between 1939 and 1944 cattle numbers jumped from 66 million to 82 million. Hog numbers increased from 50 million to 84 million. Sheep numbers also rose temporarily but subsequently declined and in 1944 were about the same as in 1939.

To some extent the basis of the livestock farmer's preoccupation with prices and feed supplies lies in the length of the livestock production process. For hogs the average period from breeding time to marketing is ten to twelve months. For cattle it runs from twenty-four to thirty months. For lambs produced in this area the time required is about the same as for hogs.

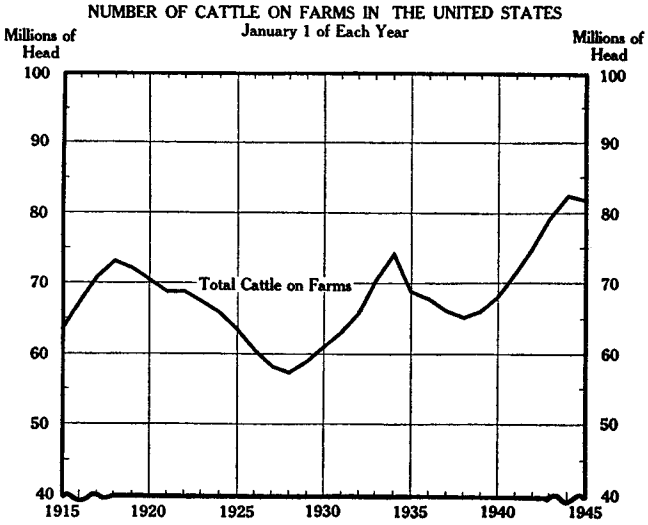
Because of this situation, livestock production is a hazardous occupation. Feed surpluses and good prices at breeding time may disappear by feeding and marketing time. While the producer's position is hazardous enough, that of the feeder is even more so, for his profit depends almost entirely upon maintenance of prices during his feeding operation.

The hog farmer, and to a large extent the sheep farmer, raise, feed, and market for slaughter their own production. Many cattle, however, are produced on the western ranges, fed on grass up to certain weights, and then sold to feeders for finishing. A feeder who buys western cattle usually places them on intensive pasture and grain feeding programs which may run from three to twelve months depending upon the size of the cattle purchased. Feeding operations are very important in the Corn Belt states and are quite extensive in the Eighth District.

CHART II

NUMBER OF CATTLE ON FARMS IN THE UNITED STATES

January 1 of Each Year



SOURCE: United States Department of Agriculture

In 1944 the livestock producers and feeders came face to face with the conditions which they traditionally fear. Animal numbers were high, feed became scarce, and prices broke. The strain on the available feed supply became so heavy that animal numbers had to be reduced. Since grain feed requirements are greatest for hogs, and since the hog production cycle is relatively short, emphasis went on curtailment of hog numbers. The War Food Administration recommended a 15 per cent reduction in the pig crop and to that end announced a reduction in future support prices on hogs. Record marketings had already broken the hog market to the then current support prices.

As a result of these factors, hog producers cut last year's spring pig crop by 30 per cent instead of the 15 per cent recommended. This action largely accounts for the present meat shortage. At the beginning of 1945 hog numbers totaled 61 million, or 23 million less than a year earlier.

To promote greater hog production (the goal for the 1945 fall pig crop is 37 million animals), the War Food Administration has announced a hog support program that will not be changed prior to September 1, 1946. All weight limits have been abolished and the support price set at $13 per cwt. (Chicago basis) for good and choice butcher hogs. This action, together with the present favorable corn-hog ratio, should go far to increase output unless this year's corn prospects should deteriorate further.

The main problem with respect to beef production relates to feeding operations. The bulk of supplies of beef cattle now reaching the market consists of lower grade animals with the percentage of choice beef and veal practically cut in half from its prewar level because of the decrease in heavy grain feeding. No minimum prices for cattle have been established and there is the large total of some 81 million cattle on farms. In view of the price uncertainties inherent in this situation, there is considerable reluctance to start intensive and prolonged feeding programs.

The Government has recently established a subsidy of 50 cents per cwt. payable to sellers of choice and good grade cattle weighing 800 pounds or more when marketed for slaughter, which have been owned by the seller for at least thirty days. Notwithstanding the subsidy there is considerable doubt in the minds of cattlemen as to whether the present spread between the cost of feeders and the price of finished cattle offers a sufficient margin of profit to justify assuming the many risks incident to a cattle feeding operation. The current relatively narrow spread between feeders and finished cattle is due largely to the increased butcher demand for unfinished cattle to satisfy the high consumer demand for meat regardless of grade.

The average price of choice fed cattle weighing from 900 to 1,100 pounds at National Stockyards, East St. Louis, for the week of July 7 was $17.34 per cwt. During the same week choice feeder cattle weighing from 500 to 800 pounds cost the feeder an average of $15 per cwt. Using gains based on Missouri University feeding tests, the feeder's prospects can be illustrated by the following example: A 1,046 pound steer at $17.34 per cwt. would bring a total of $181. Present subsidy allowance would add an additional $5 to the value of the steer, making a total to the farmer of $186.

A 768 pound feeder at a cost of $15 per cwt. would represent a total outlay of $115. The necessary feed to put on 278 pounds of gain in a dry lot operation would cost at present prices a total of $46. The average shrinkage from the feed lot to market, plus the costs of transportation, commission, insurance, etc., represents an additional cost of $12, making the total cost of the steer $173. This would leave a profit of $13 to the farmer which is a narrow margin to cover his labor and the risks involved in the operation. A decline of only $1.25 per cwt. in the market price of the finished product would completely eliminate his profit. Moreover, the above figures use estimates based upon much better feeding conditions than exist on the average farm, allow for no death losses, and assume that all steers in a given operation will finish out to a uniform choice grade.

PROBLEMS OF THE MEAT PACKER

The American meat packing industry has been concentrated in the middle west since the advent of modern transportation and the invention of the refrigerated railroad car in the 1880's. The country's livestock market and meat packing centers such as Chicago, St. Louis, Omaha, Kansas City, and St. Paul form a bridge between the great meat producing areas of the west and mid-west and the heavily populated industrial regions of the northeast and east.

The meat packing industry may be divided in two ways. On the basis of size the packers break into two groups: the Big Four (Swift, Armour, Wilson, and Cudahy who control about half of the business) and the rest of the industry made up of the medium-sized and small packers. On the basis of inspection they may be separated into Federally inspected plants on the one hand and locally inspected plants on the other.

For the most part the large and medium-sized packers are Federally inspected, while the smaller units have local inspection. Only the former are allowed to ship interstate, a situation that in normal times causes no particular difficulties since supply is abundant, but which at present has aggravated local meat shortages through the maldistribution of supplies. All military supplies are required to come from Federally inspected plants which thus have less meat than usual for their civilian trade. Local packers even when they have large supplies on hand cannot ship interstate to relieve temporary maldistribution. The Department of Agriculture is now attempting to have the inspection laws modified so that meat from local packing houses that are properly certified as meeting required sanitary standards could be shipped interstate and accepted for Government purchase.

In the main, the large packers which operate nationally have distinct competitive advantages. They handle multiple lines of goods such as dairy products and other perishable commodities. They process by-products such as glue, hides, and vitamin preparations. They are better organized to buy in public markets and to sell in the most profitable localities. Consequently the large packers can handle profitably animals which have a low ratio of dressed meat to live animal weight. In the case of steers and lambs, for example, 40 to 60 per cent of live weight is not meat. The small packer has difficulty in making a profit on such animals and tends to concentrate upon hog slaughter since the average hog is 70 to 75 per cent meat.

General Government policy of strict price control on meat at wholesale and retail levels coupled with high livestock prices has tended to narrow packers' margins. The squeeze has been more pronounced on the small packers than on the large ones because of the advantages enjoyed by the large operators particularly in by-product utilization.

Certain problems are common to both large and

small packers. Meat is a perishable product and either must be sold fresh or stored or processed. Since supply and demand fluctuate considerably and price changes may be both rapid and severe, the value of inventories may rise or fall substantially, resulting in either unexpected profits or heavy losses for the industry.

Packers' facilities must be large enough to handle seasonal peaks in livestock receipts. This means excess capacity and high overhead costs for slack periods of the year, expenses that are normally made up on a full year's operations.

The industry generally believes that these factors of inventory vulnerability and seasonal operating losses are inadequately recognized by Government price regulation and strong efforts are constantly being exerted to obtain relief. Relief could come from either higher retail prices or lower farm prices. Since Government policy is directed toward holding retail prices down the packers' margins have been provided to an increasing extent by higher Government subsidies.

OUTLOOK FOR THE MEAT INDUSTRY

The short-run outlook for civilian meat supplies is for a continuation of the present tight situation, modified slightly by anticipated increases in cattle marketings this fall, but with little prospect for appreciable relief before next year when hog supplies should be higher than in 1945. Hope for increased meat for civilians during the balance of 1945 rests mainly upon the effort to improve methods of distributing the available supply and to curtail black market operations. Neither is likely to add very much meat to the civilian larder.

The industry, therefore, has a very favorable short-run domestic demand situation. In addition the European export market will be strong for perhaps two more years, until European livestock can be increased in number. The immediate problem thus is mainly one of supply rather than of demand.

Over the longer run the prospects for the industry depend largely upon maintenance of high income levels in this country which would assure high per capita meat consumption. After World War I domestic unemployment and loss of wartime export markets broke meat prices in 1921 and left both producer and packer with heavy losses arising from the large stocks of live animals and processed meats held.

Meat producers and packers face no technical reconversion problems. There will be continued need to diminish seasonal fluctuations in supply and demand. Increased livestock production in the south with its longer pasture seasons, may be expected to result in longer and more balanced marketing periods for meat animals. Research in better by-products should continue and the industry plans to offer new products in the form of frozen and partly precooked meat dishes. While efforts in these directions have had only limited success in past years, modern refrigeration equipment with deep-freezing compartments should make it possible in the future for many American householders to enjoy fresh meats of equal quality the year 'round.

H. S. Maas

Effect of Contract Cancellation In St. Louis

In the period since the end of the European war the St. Louis area[1], in common with other large industrial regions in the United States, has experienced many cancellations of large war contracts. These cancellations are leading to a sharp decline in employment and payrolls at major war plants. This article attempts to appraise the magnitude of the prospective employment decline during the next few months and to call attention to some of the ways in which the loss of income of displaced workers will be partially offset.

Major war plant layoffs in the St. Louis area announced since the end of the war in Europe total some 45,000 workers. About 12,000 of these were laid off by the close of June while most of the remainder will be dismissed during July, August, and September. The St. Louis Ordnance Plant, largest small arms ammunition plant in the world, is scheduled to shut down completely by September 1. Curtiss-Wright's big aircraft factory, which has recently been producing large two-motor transport planes, will close its doors at about the same time. Amertorp, producer of torpedoes, will stop operations by November 1. All three plants are currently laying off workers. National Carbon's battery plant has already closed. Employment has decreased or is declining at General Motor's Chevrolet Division plant (artillery shells), McQuay-Norris (bullet cores), Busch-Sulzer (marine engines), Emerson

[1]St. Louis City and County, and St. Charles County, Missouri; Madison and St. Clair Counties, Illinois.