Will there still be meat on the grocer's shelf next year?

by Carol Cleary

U.S. cattle and hog numbers are down so significantly, and slaughtering of breeder animals is so widespread, that a national meat supply crisis looms. Although red meat production from January to July this year totaled 22.4 billion pounds—3% more than last year—this increase is anything but a healthy sign. It is due to the slaughter of dairy cows, culling of breeding stock, and import of cattle from Mexico, whose cattlemen are in even more dire straits than their U.S. counterparts.

The producing potential is being undermined in the world-famous core production regions—Texas for beef and Iowa for hogs—where independent farmers and ranchers are being forced to cut back, liquidate, or sell out. By year's end, the national beef cow herd may have shrunk to the lowest level since 1969. The hog and pig inventory is down fully 9% from last year. After the winter slaughters of the current feedlot inventory, beef supplies will be significantly lower. Meat prices to the consumer, which have been rising slowly, will begin to soar.

Meat slaughtering, processing, and distribution are being consolidated under the control of a small number of international food cartel companies, like Cargill, Inc., which are guaranteeing feedgrains and meat-herd and processing technology to the Soviet Union.

You may read about "bounce back" of the cattle and hog numbers and plentiful meat supplies to come in the near future. This is mere propaganda issued by the U.S. Department of Agriculture and cartel company interests themselves, through their "crystal balls"—the Wharton School, Chase Econometrics, and other hoaxters.

Depression economics

The causes of the meat supply crisis include the disastrous feedgrains shortage, the farm income and debt crisis, and the cartel takeover bid.

Right now, the number of animals in the feedlots has dropped in a few key areas of the country, relative to the average levels of recent years (see **Figure 6**). The decline in feedlot numbers means that after these animals are fattened—a six- to eight-month period—the winter slaughterings will be down relative to needed supplies, and the prices to consumers will soar.

Figure 6

U.S. cattle feedlot inventories
Top 13 states, July 1, 1984

Region Texas/Oklahoma/Kansas	Number head on feedlots	Percent change from 1983
Texas	2,140,000	+23
Oklahoma	280,000	+8
Kansas	1,360,000	+8
Subtotal:	3,780,000	

There is a herd liquidation process going on in west Texas, involving 10% of the national cattle herd. In Kansas, herds are being culled.

Plains states		
Nebraska	1,280,000	−16
Colorado	780,000	−11
Iowa	670,000	−32
Subtotal:	2,730,000	

The farm financial crisis in Iowa and Nebraska is severe. Independent feedlots are shutting down. Herd liquidations in Colorado involve 2% of the national herd.

Far West		
California	554,000	+4
Arizona	341,000	−4
Idaho	195,000	+1
Washington	185,000	+7
Subtotal:	1,275,000	

Herd liquidation is underway as California costs soar, due to out-of-state feed supplies and high property taxes. Feedlots in Arizona are threatened by environmentalists, who are complaining about the smell. Corn is imported into Washington from cornbelt; costs are high.

North Central		
Illinois	370,000	−23
Minnesota	285,000	−20
South Dakota	260,000	+21
Subtotal:	915,000	

In Illinois, smaller farmers are barely holding on to a few breeder animals. Herd liquidation has been going on for some time. In South Dakota, cattle are being moved around rather than liquidated. In Minnesota, dairy cows are being liquidated as well.

Making the situation worse is the reduction in the generation of stock to replenish feedlots and slaughterings. Foreclosure auctions have sent thousands of animals to slaughter. Because of the farm income crisis, cattlegrowers have been intensely culling their herds, even sending breeding stock to slaughter to get cash. If the grower is a livestock-crop producer, chances are he has been selling stock in order to free up feedgrains to sell for urgently needed cash.

This has been going on for the past few years in Nebraska and Iowa, top meat states, to the point that 40% of all feedlots there have been completely shut down, and 26% partially so. These were primarily owned by farmers or independent operators, who could not get sufficient capital to meet high cattle and feeding costs. They have been shut down by the high interest rates and by the "dirty tricks" operations of the cartel-owned feedlots and processors. The only exception to the general collapse are operations run as tax write-offs for oilmen, professionals, and other investors—hardly the basis for a secure national meat supply.

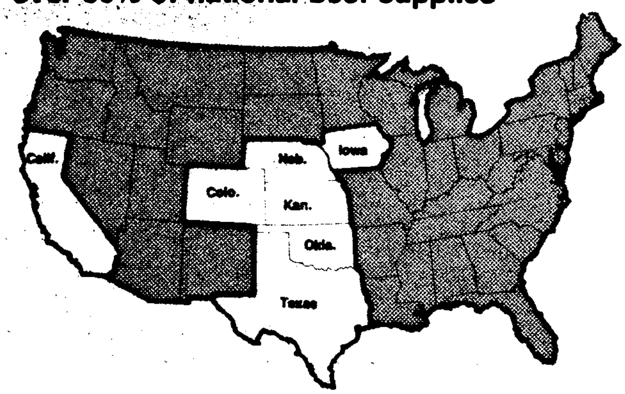
In Texas and Oklahoma, feedlots seem relatively full by comparison, but this reflects a number of special factors, principally the giant herd liquidation now going on due to the drought. The three-year-long drought in the western Texas region has withered feed crops, parched the rangeland, and dried up drinking-water supplies. Breeding stock and all are going to slaughter. Earlier this year, cow/calf pairs were moving into eastern Texas and to the north for grazing lands. However, eastern Texas is now dry and herd liquidation has begun there. Dry weather has encouraged early culling in Oklahoma. Increased livestock marketing in Montana, North Dakota, and Wyoming also reflect drought conditions. The president of the Sidney, Montana Livestock Market Center reports that cow marketing was 50% greater this year, and many producers are selling out completely.

The drop in the national breeding herd is estimated at as much as 25%. All indices of herd replacement are down. The total calf crop is 2% down from last year. Beef replacement heifers are down 3% form last year. Beef cows calved are down 1% from last year. The average weight of animal slaughtered is also down by 12 pounds.

The Texas cattle herd size would be down even further, except for Dallas oilmen and other outside investors coming into the state and buying up herds at distress sale prices, in order to get tax shelter benefits.

National meat supplies over the past year have been propped up by a one-time-only mass slaughtering of dairy cows, sent to meat packers over the past year for hamburger because of the government's unprecedented milk "PIK" reduction plan (see article, page 25), and because of the general dairy farm income crisis. When the milk diversion plan began last January, dairy cows amounted to over half of the total weekly slaughterings for meat. This continued for three months before sinking back to about a third of total slaughterings.

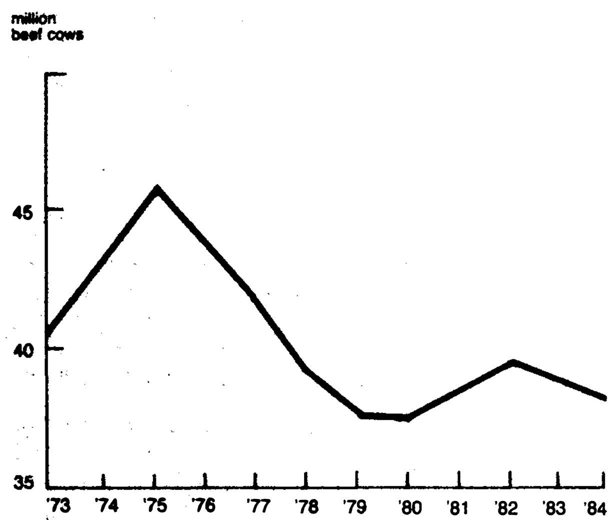
FIGURE 7
Top cattle-producing states accounting for over 50% of national beef supplies



Over the 15-month period of the milk PIK diversion plan, an estimated 887,860 milk cows will go to slaughter, which is at least 337,000 more than the normal cull rate.

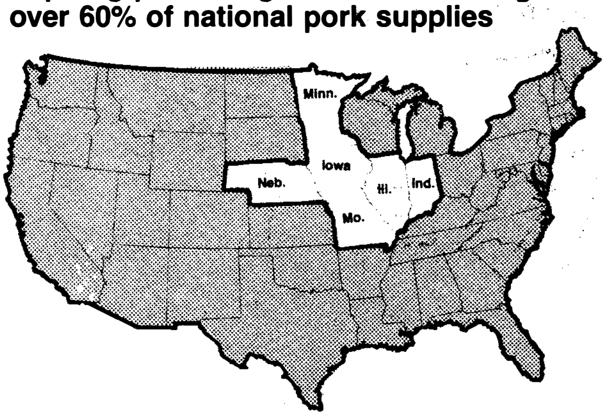
In the beef industry, 15% to 20% of the annual carcass weight goes for hamburger and processed meat products. However, over half the national consumption of this type of meat has been supplied by imports. Much of this meat comes from South America, coordinated by Cargill, Inc. and the same international grain and meat cartels now controlling the domestic market. Meat also comes from Australia, New Zea-

FIGURE 8
U.S. beef cow inventory decline



Source: USDA Jan. 1 yearly inventory

FIGURE 9
Top hog-producing states accounting for over 60% of national pork supplies

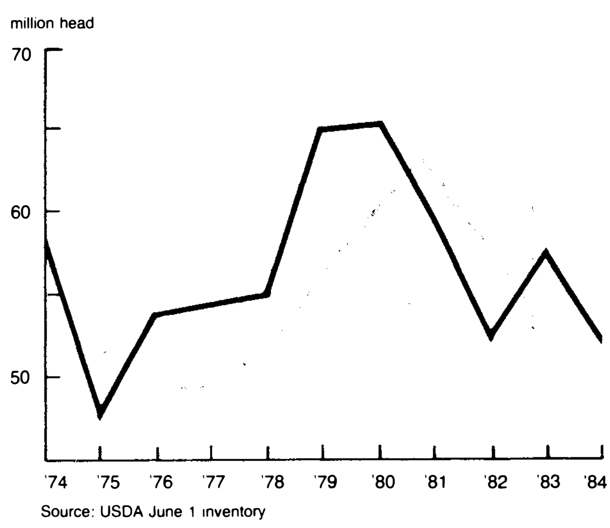


land, and Canada, and some from Western Europe.

Mexico's meat supply looted

In the last year, imports of cattle on the hoof from Mexico have risen to such numbers that the Mexican herd potential is being wiped out. Imports of Mexican feeder cattle and calves during the first four months of this year totaled 306,098, way up from the annual totals of 561,665 for 1983 and 509,677 for 1982. In August 1984, the head of the Mexican National Cattlemen's Confederation asked for government permission to export 800,000 three-hundred-pound calves, rationalizing that "it's better to ship the cattle to international markets than let them starve to death." He reported that Mexican ranchers do not have the money "to import grains and forage to feed the cattle." Meantime, 25% of Mexico's dairy herd has been liquidated under the extreme austerity conditions imposed by the International Monetary Fund, which ordered 150% hikes in electricity rates, feed costs, and so forth.

FIGURE 10
U.S. hog and pig inventory decline



Pork supply crisis

The crisis in pork production is every bit as severe as with beef. According to official USDA statistics, the national hog inventory—both market and breeder animals—is down by 9%. There has been a 30% decline in inventory since 1980. Hogs can be bred 12-14 months after birth, so quick reversals in hog numbers are feasible in theory. But in practice, the mainstay of the national hog supply, the independent family-farm hog producer, is going out of operation.

With the shakeout of independent hog and grain farmers, and the consolidation of contract hog production, it is estimated that the national hog inventory will go down by as much as 40% in 18 months. Pork will become a luxury meat.

The cartel companies have initiated large-scale "vertically integrated" production centers, especially in the south and southeastern states, where they can receive favorable tax and other advantages because independent farm interests have been smashed. The large grain companies like Cargill are coming in and setting up such operations. Ralston Purina has its own feedstock producers, who lease or sell sows to the farmer, who then buys the feedgrain from Ralston Purina. Farmers then become "agri-janitors" to raise the market animals on their own highly indebted farms, and sell the animals back to cartel companies, at loss or nearly loss rates. In North Carolina, one breeder farm has 30,000 sows, which produce about 600,000 feeder pigs (20 to 30 pounds), which go on contract to farmers.

Ralston Purina has recently expanded its potential for vertically integrated pig production by acquiring the Spartan Mill & Grain Co., one of the oldest and largest independent feed companies in the South. Spartan specializes in hog feeds for the heavy swine-producing region of North Carolina.

This hog production restructuring parallels what has already taken place in poultry, where only a few large cartel grain companies—like Continental Corporation, which owns Wayne Poultry—control production by vertically integrated contract farming.

The House of Representatives' Committee on Small Business has recently released a report on the trend toward concentration in the livestock packing industry. According to John Helmuth, chief economist for the committee, "the four largest firms slaughtering steers and heifers have moved past the point—measured by market share—where they could exert monopolistic power to inflate their selling prices and buying power to depress the price they pay farmers for cattle."