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USDA: 'Let them eat turkey'

Poultry is supposed to replace red meat in the diet, but thanks to federal policies, you won't be able to afford it.

Not just at Thanksgiving, but all year round, "Let them eat turkey." This is the advice of the U.S. Department of Agriculture in recent years to all those who can't afford to eat red meat, and to those who are leery about beef and pork because of the scare stories over fat content and drug residues—stories promulgated by even the USDA itself.

Now, thanks to the impact of the drought and to the years of federal anti-farm production policies, you may not be able even to afford turkey.

Expanding feedgrain exports, higher domestic use, and reduced grain stocks caused by both the drought and government cut-back programs, have caused feed costs to leap rapidly from last year's levels, catching many livestock producers off guard.

Corn prices have increased 117% from $1.65 to $3.20 per bushel. Prices of soybeans, the main protein supplement, have increased at least 35%, going from $6.50 to $9.00 per bushel over a year ago. Feedgrain ending stocks will be down approximately 37%.

Thus tight supplies have pushed prices of both soybean meal and corn to levels that have destroyed the profitablity of meat production for many beef, pork, and poultry producers.

Although per capita consumption of turkey is expected to rise to 17 pounds in 1988, a 12% increase from 1987, turkey production is slowing. First-quarter production was 25% higher than a year ago; however, only a 9% average increase is expected for the year. Net returns to the grower have been *negative* since the third quarter of 1987. During first quarter 1988, net returns were estimated at a negative 12 cents per pound.

With expected increases in feed prices from the drought, and with wholesale turkey prices rising to only 54-60 cents per pound in the fourth quarter, net returns will be as much as 15-20 cents per pound.

Per capita broiler consumption is expected to rise to about 62-73 pounds in 1988 from 60.1 pounds in 1987, a 4% increase. The USDA reports that increased per capita supplies of chicken will slacken in the last half of the year, as chicken producers are losing big money from high feed prices. Broiler net returns during the rest of 1988 are expected to be below break-even by as much as 3 to 5 cents per pound and may average a negative 0.1 cents per pound for the year.

According to the USDA, record large supplies of red meat, relative to a year ago, are keeping livestock prices low. Last year's livestock and poultry receipts ($86 billion) provided producers with record profits due to very low grain prices and low animal inventories. The relatively good profits encouraged more producers to expand livestock numbers.

Now these food producers will be penalized for providing larger supplies of meat because of a free-trade marketplace without parity prices that guarantee farmers their costs plus a fair profit. Hog prices have declined as a result of a 9% increase in per capita pork supplies at the same time that U.S. pork imports rose an amazing 10%, primarily from Canada and Denmark.

Feeder cattle flows are down, but are being partially offset by increased imports from Mexico, which were up 60% in January and Feburary at 586,000 head. Overall beef imports are forecast to be 2.3 million pounds for 1988, mainly from Australia (70% of imports) and New Zealand (13%). Dry conditions and increased feed prices have slowed the USDA-forecast domestic herd rebuilding this year.

However, there is no basis to presume beef imports can continually materialize in a world characterized by worsening food shortages and farm crises. In New Zealand, farmers have been hit hard by high interest rates and unfavorable exchange rates and an austerity agriculture policy (see page 46). New Zealand meat output is declining, and the Labour government is redirecting beef exports away from traditional markets, and instead, to the East bloc, and Khomeini's Iran.

Argentine meat output is forecast to decline, although domestic demand is likely to be depressed by austerity policies (see page 52), which would allow exports to increase in the short term. Turmoil in Brazil's cattle industry caused a drop in output and exports also.

Year in and year out, meat producers have been fighting for profitable price levels to stay in business, and just when prices reach a point of reasonable profit, the free-trade myth of "overproduction" triggers the market to reduce the price to a level of negative return.

As long as cartel-controlled USDA policy keeps food producers locked to the old free-trade system of non-parity pricing, the up and down cycle of negative returns will slowly place food production in the hands of a few.

Just as the traditional American steak is becoming becoming scarce, and too costly for most people, the traditional Thanksgiving turkey may become too expensive to raise.

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