Outlook for Food and Agriculture

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THE nation's food and agricultural situation in 1978 is predicted to be one of larger food production, a somewhat slower rate of food price increase, and about the same net farm income as in 1977. The increase in food output will result from the relatively large crops of grains, oilseeds, and sugar harvested last year, coupled with larger beginning stocks than a year ago. The rising supply of grain and other feedstuffs has led to lower feed prices which, in turn, have increased the spread between feed costs and livestock prices, and provided incentive to increase output of livestock products.[1]

PRODUCTION AND COSTS OF FOOD

Large supplies of both crop and livestock derived foods are the dominant features in the outlook for food in 1978. Three consecutive years of high farm production of the major food and feed grain crops imply a larger volume of most food products and more moderate price increases in 1978 than in 1977. The costs of food processing and marketing services — costs such as energy, packaging materials, labor, retailing, and transportation — will continue to rise, but the average price for food products at the farm is expected to remain about the same or be less than last year. Rising demand for food will continue to create upward pressure on food prices, but the increases are expected to be relatively moderate. Grocery store food prices are expected to average 4 to 6 percent more in 1978 than in 1977, which is slightly less than the increase reported for last year.

Given rising demand and a small increase in the quantity supplied, there will be a modest increase in per capita consumption of food this year as compared with a slight decline last year (see Table I). Per capita consumption of meats is expected to remain about the same or slightly greater than last year. On the other hand, some increase in per capita consumption of crop food is anticipated, especially in consumption of vegetables and noncitrus fruits, as a result of the generally larger crops.

Table I

FOOD EXPENDITURES AND CONSUMPTION

Year	Percent of Disposable Income Spent on Food[1]	Per Capita Food Consumption (Index 1967 = 100)		
		Animal Products	Crop Products	Total Food
1960	20.2%	N.A.	N.A.	N.A.
1970	17.3	102.3	103.0	102.7
1971	16.4	103.9	103.0	103.6
1972	16.3	103.7	104.4	104.1
1973	16.3	99.3	105.7	102.2
1974	17.0	102.0	103.6	102.8
1975	17.0	100.1	104.5	102.1
1976	16.8	104.1	107.2	105.5
1977[2]	16.7	104.1	106.2	105.1

N.A. Not available.

[1]Total food consumption, excluding alcoholic beverages.

[2]Forecast.

Source: USDA, *National Food Situation* (September 1977); Agricultural Outlook (November 1977).

Some further decline in the proportion of income spent on food is likely to occur in 1978. Last year the share of income spent on food declined slightly, to 16.7 percent, from 16.8 percent in 1976 and 17.0 percent in 1975.

In many respects, the outlook for food prices this year is similar to that of a year ago. Large production of most crops in 1976 and the prospect for an increase in livestock production were expected to keep increases in retail food prices well below the increase in overall consumer prices in 1977. This prospect was upset in the first half of 1977 by the severe winter freeze in the vegetable and citrus growing areas, and by the unusually large price increases for coffee and other imported foods. As a result, retail food prices increased at a 12 percent annual rate from the fourth quarter of 1976 to the second quarter of 1977, compared with a 7 percent rate for prices of consumer items other than food.

[1]These and other projections made by the United States Department of Agriculture (USDA) at the National Agricultural Outlook Conference last November are summarized in this report. This Conference, sponsored by the United States Department of Agriculture, is held annually near the end of the year, to disseminate the latest domestic and international developments in agriculture and food.

Some of the factors which boosted retail food prices in the first half of 1977 began to disappear in the second half of the year. Supplies of fresh vegetables returned to normal in late spring, and prices began to fall. Coffee prices also began to decline at mid-year as the prospect for increased coffee supplies brightened. With declines in the price of coffee and vegetables, average retail food prices increased at a 4 percent rate from the second to the fourth quarter of 1977, while consumer items other than food continued up at a 6 percent rate.

Larger Supply of Crop Foods

Relatively large cereal, fruit, and vegetable crops in 1977 provide the basis for large supplies of crop foods through much of 1978. Total U.S. crop production was about 4 percent higher in 1977 than 1976 and 17 percent above the poor harvest in 1974. With large stocks of many crops carried over from the 1976 marketing year, stocks available for consumption in 1978 are well above levels in other recent years.[2]

Cereal and Bakery Foods — Production of the major cereal crops of wheat and rice was down somewhat last year, but higher beginning stocks boosted the amount available in the current marketing year to 10 percent above a year earlier. The stock of rice is down somewhat, but it is still the second largest on record. Nevertheless, the export demand for these crops has been rising in recent months, and in early December, prices for both were well above a year ago. Hence, somewhat higher cereal food costs are in prospect. Upward pressure on retail prices of cereal and bakery goods will also result both from increased processing and marketing costs, and the higher grain prices.

Vegetables — Processed vegetable stocks are up somewhat this year; raw tonnage of 7 major vegetable crops in 1977 rose by 18 percent from 1976, with tomatoes and sweet corn showing the largest increases. However, carryover stocks of processed vegetables fell more than usual as a result of the freeze last year, and the total stocks of canned vegetables are up only about 2 to 4 percent this year while stocks of frozen vegetables are down about one percent.

Vegetables grown primarily for fresh consumption in 1977 were nearly equal to the 1976 level, but the seasonal variation in the availability of supplies was greater than usual. As a result of last winter's freeze, fresh vegetable prices at the retail level rose 30 percent above a year earlier in the first quarter of last year, then fell to only 8 percent above the year earlier level by the third quarter. Assuming normal growing conditions for this winter's vegetable crop, prices will probably average considerably below that of the first half of 1977. Potato supplies are relatively large. Last year's fall harvest was only one percent below the 1976 record crop. Average prices of potatoes during the winter are expected to be about the same as a year earlier.

Fruits — Smaller supplies of fruits, along with strong demand, point toward higher average prices than last year. The citrus crop is currently expected to be 6 percent below a year ago, due to the effects of last winter's freeze on the Florida orange crop. The supplies of frozen orange juice concentrates may be only moderately below that of last year, however, as the juice yield is expected to return to near normal this year from last year's very low level.

The supply of noncitrus fruit is slightly above the year ago level. The 1977 crop was about the same as a year earlier. The canned supply will also be about the same as last year. The supply of *frozen* noncitrus fruits will be up moderately, as cold storage stocks at the beginning of this season were one-fifth larger than a year ago, and the frozen stocks of apples, cherries, and strawberries are up sharply from levels of a year ago.

Fats and Oil — Fats and oil supplies will be up in 1978 due to the larger U.S. soybean crop and high production of other sources of oils, such as palm, cottonseed, and sunflower seeds. Soybean oil prices in early December, however, were about 10 percent above year ago levels, well above USDA expectations. As a result, oil prices for the year probably will average well above the 18 cents per pound USDA estimate.

Sugar — Sugar supplies for 1978 were boosted by another relatively large crop both in the U.S. and abroad. World sugar production was up 3 percent in 1977, or about 4 million metric tons greater than estimated consumption, and a further buildup in world stocks is expected in 1978. The rising world sugar production and the consequent decline in the world price have led to considerable pressure from domestic producers for the Government to support domestic sugar prices at higher than world price levels. The Food and Agricultural Act of 1977 calls for the support of sugar

[2]Marketing year begins June 1 for wheat, barley, and oats; August 1 for rice; and October 1 for corn and sorghum grain.

prices at 52.5 percent of parity, but not less than 13.5 cents per pound.[3] The support price is expected to result in a rise in domestic raw sugar prices by about 2 to 2½ cents per pound. As a result, wholesale and retail sugar prices are expected to increase this year despite the relatively large supplies, and sugar consumption is expected to decline somewhat.

Beverages — Coffee prices have declined in recent months in contrast to the sharp increases in 1976 and the first half of 1977. Increases in world coffee production with, perhaps, little change in demand is expected to lead to a further decline in coffee prices in 1978. As a result of the earlier increase in coffee prices, U.S. coffee consumption fell from over 3 pounds per person per quarter in early 1976 to less than 2 pounds per person in the third quarter of last year.

Increased Output of Livestock Products

Meats — Total meat production, consisting primarily of beef, pork, and poultry products, is expected to increase more than 2 percent in the first half of 1978 from a year earlier. This gain is expected to come from substantial gains in pork and poultry production. The expected trough in the number of cattle, however, will result in less slaughter of cows and calves and a smaller total output of beef. The output of very high quality (grain fed) beef will be up somewhat.

Upward pressure on retail beef prices resulting from the reduced supplies will be substantially offset by increased supplies and somewhat lower prices for pork and poultry. The price for hamburger meat, however, is expected to average somewhat higher than last year relative to other meat prices, since a decline in the slaughter of cows and grass fed beef would reduce considerably the amount of beef normally processed into hamburger.

Milk and Eggs — Milk production in the first half of 1978 is expected to be higher than in the first half of 1977, perhaps as much as 3 percent. Despite increased dairy output, however, the 1978 retail prices of dairy products will average 5 to 6 percent above last year as a result of higher Government price supports. Egg production in the first half of the year is expected to be up about 2 percent from a year ago. This represents little change in production per person. During the first half of the year, however, prices to consumers are expected to remain below the levels of a year ago, as per capita consumption of eggs has fallen steadily for several decades.

OUTLOOK FOR AGRICULTURE

Little or no change in net farm income is projected for 1978. This is based on the relatively larger quantities and somewhat lower average prices for crops, larger government payments to producers, and some increase in livestock and livestock product sales leading to a somewhat larger gross income. Production expenses, however, will continue to rise and about offset the increase in gross incomes.

Realized net farm income rose sharply from $13.2 billion in 1971 to a record $29.9 billion in 1973 (Table II). During this period, competition for United States farm products was enhanced by a sharp increase in export demand and larger Government food subsidies to lower income groups. In addition, a number of supply restricting factors, such as wage-price controls, environmental regulations, and unfavorable weather, contributed to a rapid increase in farm prices and higher farm incomes. Farmers, however, soon responded to the higher prices by increasing production, which depressed prices to the point where farm incomes declined to $20.8 billion in 1975, and have held near that level since then. On a per farm basis, nominal income declined to an estimated $7,391 in 1977, the lowest since 1972.

Table II

REALIZED NET FARM INCOME

Year	Total	Per Farm	Real Net Income Per Farm[1]
1950	$12,836	$ 2,273	$2,273
1955	11,090	2,383	2,142
1960	11,121	2,806	2,281
1965	11,857	3,533	2,696
1970	14,145	4,797	2,974
1971	13,236	4,561	2,709
1972	17,804	6,225	3,579
1973	29,943	10,607	5,749
1974	27,741	9,925	4,843
1975	20,810	7,521	3,362
1976	21,908	8,001	3,384
1977[2]	20,000	7,391	2,934
1978[2]	20,000	7,463	N.A.

N.A. Not available.

[1]Based on 1950 dollars using consumer price index.

[2]Projected.

Source: USDA, *Farm Income Statistics* (July 1977), *Outlook 78*, "World and U.S. Agricultural Outlook," and *Farm Numbers* (December 29, 1977).

[3]Parity is the relationship between farmers' current purchasing power and their purchasing power during a selected base period.

Table III

DISPOSABLE PERSONAL INCOME OF FARM AND NONFARM POPULATION

Year	Per Capita Income from All Sources: Farm Population[1]	Nonfarm Population	Farm as Percent of Nonfarm
1950	$ 840	$1,447	58.1%
1955	848	1,759	48.2
1960	1,086	2,014	53.9
1965	1,692	2,480	68.2
1970	2,510	3,390	74.0
1971	2,710	3,629	74.7
1972	3,223	3,866	83.4
1973	4,665	4,267	109.3
1974	4,308	4,662	92.4
1975	4,492	5,103	88.0
1976	4,518	5,552	81.4

[1]Includes all income received from farm and nonfarm sources, such as wages, salaries, professional income, rents from nonfarm real estate, dividends, interest, royalties, unemployment compensation, and Social Security payments.

Source: USDA, *Farm Income Statistics* (July 1977).

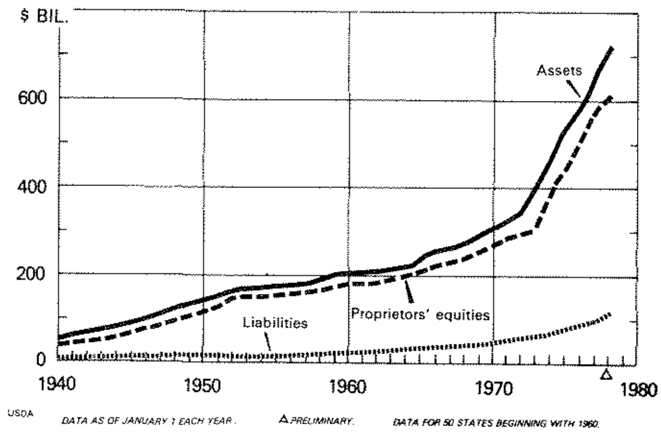
The disposable personal income of the farm population has moved in similar fashion to that of farm net income, rising sharply in 1972 and 1973, but declining since 1973 (Table III). Last year the disposable personal income per capita of the farm population was about 81 percent of that of the nonfarm population, slightly less than in 1972, but well above the average of earlier years.

The projection of somewhat lower average prices for crops in the current marketing year (1977-78) is based on the relatively large supply of most major crops. The relatively large current supply and the lower prices for those crops used for feed is expected to contribute to a rising output of livestock products later in the year. While domestic demand for farm products is expected to continue to rise, export demand will probably be down despite some recent improvement in prospects for Soviet grain purchases. The decline is the result of generally good harvests in Western Europe. The total volume of exports will probably equal that of 1976-77, but the value is expected to decline by 5 to 10 percent.

Farm Finance

Despite the decline in net farm incomes since 1973, the financial situation of farmers remains relatively strong. Proprietors' equities (value of land, buildings, and other assets less debt) have continued to increase and are expected to rise another 6 percent this year

BALANCE SHEET OF THE FARMING SECTOR



(see accompanying chart). Equities have more than doubled since 1970, rising from $262 billion to an estimated $611 billion at the beginning of this year. However, debt to asset ratios have begun to increase.

Total farm assets are expected to increase about 7 percent this year. Since 1970, farm assets increased from $315 billion to $730 billion, a rate of 11.1 percent per year, about the same rate of increase as farm equities.

Farm debt is expected to rise about 12 percent this year to a total of $133 billion at year's end. From January 1970 to January 1977 farm debt rose at a somewhat slower rate than the value of farm assets, 9.8 percent, compared with 11.4 percent, respectively. Consequently, debt to asset ratios declined. Last year (1977), however, debt to asset ratios began to increase as debt rose 16 percent, compared with a 9 percent increase in assets, and this year debt is again expected to rise faster than assets, further increasing the ratio. Farm debt is expected to total 17 percent of assets at the close of the year, compared with 16.3 percent at the beginning, and 15.2 percent at the beginning of 1977. The ratio of farm debt to assets was 18.9 percent in 1940, but it declined sharply during World War II and totaled only 9.2 percent of assets in 1950. It rose to 11.8 percent in 1960, and to 16.8 percent in 1970.

While the prospective 1979 debt to asset ratio of farm proprietors will not reach the relatively high pre-World War II levels, the rising debt to asset ratios, and a leveling off of net farm incomes and cash flow points to a decline in the debt paying ability of farm borrowers. Consequently, commercial banks and other lenders to farmers may realize rising delinquencies among such borrowers in 1978 and in future years.

Table IV

CROP PRODUCTION AND QUANTITIES AVAILABLE DURING MARKETING YEAR

Crop	1975-76 Production	1975-76 Total Supply[1]	1976-77 Production	1976-77 Total Supply[1]	1977-78 Production	1977-78 Total Supply[1]
Feed Grains (million short tons)	203.3	220.6	212.4	231.7	221.9	255.1
Corn (million bushels)	5,797	6,156	6,216	6,614	6,367	7,246
Oats (million bushels)	658	882	562	770	759	927
Sorghum grain (million bushels)	760	795	724	776	779	870
Barley (million bushels)	384	476	377	506	405	531
Wheat (million bushels)	2,135	2,572	2,147	2,814	2,027	3,140
Rice (million hundredweight)	128	135.1	117	153.9	99.1	138.8
Soybeans (million bushels)	1,546.1	1,731.1	1,264.9	1,509.5	1,716.3	1,819
Cotton (million bales)	8.3	14.1	10.6	14.3	14.4	17.4
Burley Tobacco (million pounds)	638	1,733	664	1,830	651	1,865
Flue-cured Tobacco (million pounds)	1,415	3,067	1,316	3,214	1,119	3,185

[1]Total supply equals production plus beginning stocks.

Source: U.S. Department of Agriculture.

Crops

Large supplies of most crops are available as a result of record corn and soybean crops in 1977 and a relatively large wheat crop — only 6% below the 1976 record crop (Table IV). The cotton crop of 14.4 million bales was the largest since 1972.

Feed Grains

Feed grain production rose by about 4 percent in 1977, reflecting the record corn crop of 6.4 billion bushels, compared with 6.2 billion in 1976.[4] In addition to the larger feed grain crop last year, carryover stocks have been increasing from the relatively low levels of early 1975-76, when only 16.8 million short tons or 8 percent of production was carried over from the preceding marketing year.[5] At the beginning of this year stocks of feed grain totaled 32.9 million tons. When these stocks are added to the 1977 crop, 255 million tons are available for domestic use and export in the 1977/78 marketing year.

The demand for feed grains is affected both by incentives for domestic feeding of livestock and by export demand. Domestic use of feed grains for feeding purposes is expected to total 131 million tons — up about 6 percent this year from the relatively low level of last year. Domestic feeding dropped sharply with the relatively high feed prices in 1974 and has remained relatively low since then. Hence, the 123 million short tons fed in 1976-77 was well below the average amount of grain fed during the years from 1965 through 1974, and the 131 million ton estimate this year is still well below the 153 million tons fed in 1973-74.

Export demand for feed grain continues at a relatively high level compared with most recent years. Exports in the current year are expected to total 55.5 million short tons, about the same as in each of the past 2 years. Foreign sales of these crops have risen from an insignificant amount prior to World War II to become a major component of total United States farm exports. Exports of feed grain accounted for more than one-fourth of production last year and are expected to about equal that level this year. The value of feed grain exports totaled $4.8 billion in 1975, almost one-fourth the value of total United States farm exports and about 5 percent of total United States exports of all commodities.

Feed grain prices in late November averaged about 5 percent below levels of a year earlier. The decline in prices received by many farmers, however, was more than 5 percent during the harvest season since storage facilities were not available in some localities and farmers could not take advantage of the price support loans. Nevertheless, an average farm price of about $2.10 per bushel is projected for corn this season, which is somewhat below the 1976-77 average of $2.20 per bushel.

[4]In 1976 corn accounted for 82 percent of all feed grain production; oats for 4.2 percent; barley for 4.3 percent; and sorghum grain for 9.5 percent.

[5]Marketing year begins October 1 for corn and sorghum, and June 1 for barley and oats.

Food Grain

With the largest June carryover of wheat since 1963, coupled with a near record 1977 crop, more than 3 billion bushels is available for domestic use and export in the current marketing year. This is a record — more than 10 percent above that available a year ago. The 1977 crop was the third crop in succession in excess of 2 billion bushels. Production in the 3 years 1972-74 averaged only 1.7 billion bushels.

The demand for wheat reflects its use for both food and livestock feed. When wheat prices decline to near feed grain prices, wheat is used as a substitute for feed grain in livestock rations. Hence, with the large stock and relatively low price immediately following the 1976 harvest, wheat feeding rose sharply to 150 million bushels during the June-September months. But, last summer feed grain prices fell sharply and wheat prices rose. Consequently, the feeding of wheat to livestock slowed. Wheat feeding for the year is expected to total only about 220 million bushels. Domestic use of wheat for food is projected at 558 million bushels, about one percent more than last year, and exports at 1,100 million bushels, about 10 percent more than a year ago. Most of the projected increase in exports is the result of unfavorable wheat crop developments in the Soviet Union, Argentina, and Canada. Canada's wheat crop fell by about 20 percent, Argentina's by about 40 percent, and the U.S.S.R.'s by about 7 percent from the previous year.

Wheat prices declined last summer to their lowest level since 1973, but as the world crop prospects worsened and large quantities began to move into the Government loan program the price began to rise. By December, wheat prices were about $0.50 per bushel above the summer low.[6] The loan rate on wheat is $2.25 per bushel, which will provide a floor on wheat prices.

The rice crop was 15 percent less last year than in 1976. Beginning stocks were up somewhat this year, but the total supply of 139 million cwt. is about 10 percent less than a year ago. Both domestic and export demand for rice remains strong. Rice used for domestic food, which accounts for about one-fourth of the crop, is expected to rise moderately. The uptrend in industrial use (by brewers) will continue, and export commitments are well ahead of prior years. Exports generally account for more than 50 percent of production, and total usage is expected to be in excess of the 1977 crop. As a consequence, carryover stocks at the close of the current marketing year will be down from last year's level.

With the somewhat reduced supply and rising demand for rice, the season's average price is expected to be well above the $6.63 per cwt. of last year. The national average Government price support loan rate for the 1977 crop is unchanged from a year ago — $6.19 per cwt., but with rough (unmilled) rice selling at $10.20 per cwt. in November, little is likely to be placed in the loan program.

Soybeans

The 1977 soybean crop, estimated at 1,716 million bushels, was about 35 percent above the 1976 crop. This, added to a carryover of 103 million bushels, provides a total supply of 1,819 million bushels, about 20 percent more than a year ago and about 5 percent more than in 1975-76.

Demand for soybeans is expected to continue strong, but with the larger supply, prices will probably average less than in 1976-77. Domestic soybean crushings are forecast at 845 million bushels, compared with 790 million in 1976-77. Exports, which have accounted for more than one-third of each crop since 1969, will also be up to an estimated 610 million bushels, compared with 564 million in 1976-77. Prices for the 1977 crop of soybeans were expected by the USDA at the Outlook Conference to average slightly below $5 per bushel, compared to about $7 per bushel a year earlier. However, the recent strengthening in soybean prices points to a somewhat higher average than was anticipated. The CCC loan rate on the 1977 crop of soybeans is $3.50 per bushel, but with the market price in early December at $5.70 per bushel, few soybeans will move into the loan program.

Cotton

The sharp increase in cotton production in 1977 (14.4 million bales compared with 10.6 million in 1976) boosted the supply to 17.4 million bales, the highest since 1973-74. Consumption of United States cotton has fallen over the years, reflecting the competition from synthetic fibers, and some further decline in cotton use is expected this year. Domestic use plus exports of United States cotton fell from 14.4 million bales in 1966 to 11.5 million bales in 1976. Domestic consump-

[6] Part of the recent increase in wheat prices and in the price of other crops may reflect the possibility of a set-aside acreage program this year as provided in the Food and Agricultural Act of 1977. The Secretary of Agriculture may require as a condition of purchases from, and loans and payments to farmers, that acreage, normally planted to crops designated by the Secretary, must be cut by the amount of set-aside or diversion.

tion plus exports is expected to fall slightly again this year. Consequently, next summer's carryover may total 5 to 6 million bales, compared with 2.9 million bales last summer.

Cotton prices have dropped sharply from last season's record of $0.65 per pound average. Strict Low Middling $1\frac{1}{16}$ inch cotton in early December sold at about $0.48 per pound. The CCC loan rate for the 1977 crop, which tends to provide a floor price, is 44.63 cents per pound, and has been set at 44 cents per pound for the 1978 crop.

Tobacco

The Government support prices for tobacco have been sufficient for several decades to provide incentive for greater production than consumers are willing to use at the support price level. Hence, acreage controls and marketing quotas have been used to allocate marketings among the various producers. The current supply of burley, the major tobacco grown in the Eighth District, is 2 percent above that of a year ago despite a 2 percent decline in the 1977 burley tobacco crop. The legal formula requires that price supports go up 7 percent next year for eligible tobacco.

Livestock

A further increase in the volume of livestock and livestock product marketings is expected this year, and little change is likely in the average prices for such products from year ago levels. The mix in the products, however, will be different from 1977, as beef production will probably decline and pork and poultry production will increase. Overall, there is greater incentive for feeding livestock than a year ago. Livestock prices are currently somewhat higher than a year ago, and feeding costs have generally declined. The leading protein supplements (soybean and cottonseed meal) cost livestock feeders only about 80 percent as much as a year ago.

Beef Cattle

The forecast of a decline in the volume of beef cattle marketings in 1978 is predicated on a substantial reduction in slaughter of steers and heifers directly off the pasture. It is believed that such slaughter will be down by a third or more from a year ago, since there is greater incentive to increase cattle herds and cattle feeding this year.

The number of cattle on farms and ranches began to decline in 1975 from a peak of 131.8 million on January 1 (Table V). This peak followed an increase in cattle numbers at the rate of 3.3 percent per year during the previous 5 years. During the rapid herd buildup stage a larger number of female cattle were held back in the herds, thereby reducing the number of females available for feedlots and slaughter. For example, the number of cattle slaughtered in 1973 was less than the number slaughtered in 1970 despite the fact that there were about 5 million more cattle on farms in early 1973. Since early 1975, however, the number of cattle has declined at a 3.8 percent rate, and fewer female calves have been held back for herd building. Hence, since 1975 a larger proportion of cattle was marketed annually than during the herd building phase of the cattle cycle.

Table V

CATTLE INVENTORY JANUARY 1, AND SLAUGHTER DURING YEAR

(millions of animals)

Year	January 1 Inventory	Slaughter Cattle	Slaughter Calves
1950	78.0	18.6	10.5
1955	95.6	26.6	12.9
1960	96.2	26.0	8.6
1965	109.0	33.2	7.8
1970	112.4	35.4	4.2
1971	114.6	35.9	3.8
1972	117.9	36.1	3.2
1973	121.5	34.0	2.4
1974	127.7	37.3	3.2
1975	131.8	41.5	5.4
1976	128.0	43.2	5.5
1977	123.0	42.0	5.7
1978[1]	117.5	39.0	3.6
1979[1]	116.0		

[1]Projected.

Source: USDA, *Outlook 78: Outlook for Livestock and Meat*; and *Agricultural Statistics*, 1976 and 1972.

Some increase, however, in the number of cattle on farms is expected to occur this year as farmers have greater incentive to rebuild herds. Prices of feeder cattle and calves increased somewhat last year and are expected to increase further this year, averaging in the $45.00 to $50.00 per hundred pounds range. The margin for feeding cattle has improved with the lower priced feed and somewhat higher prices in prospect for slaughter cattle. Thus, the outlook is for some increase in cattle feeding and slaughter of fed cattle, and a sizable reduction in slaughter of other cattle.

Hogs

Hog producers fared somewhat better than cattle producers in 1977. Hog prices were relatively favorable as feed costs declined in the second half of the year. However, this improvement in earnings has provided incentive for further expansion of pork production this year as indicated by farrowing intentions. Pork production this spring is expected to be up 12 to 14 percent from year earlier levels, and a much larger pork slaughter is expected in 1978 than last year. Average prices are projected in the $31 to $34 per hundredweight range, or well below the 1976-77 average.

Feed costs for hog producers in 1978 are expected to average less than a year ago, but with the decline in hog prices, producers will probably be operating on narrower profit margins.

Poultry

Both broiler (young chickens of heavier breeds) and turkey producers are expected to expand output in 1978 in response to the generally favorable animal-feed price relationships. Young chicken meat continues to provide a rising proportion of the nation's total meat consumption, accounting for 14.2 percent of all meat consumed in 1965 and 16.5 percent in 1976. Broiler production was 90 times larger in 1977 than in the mid-1930s, and another increase of 3 percent or more is projected for 1978.

As a consequence of lower priced feed and the quick response by chicken producers to feed-chicken price relationships, chicken prices in 1978 are likely to average somewhat below those of 1977. The response of turkey producers to feed prices will be similar to that of chicken producers; hence, rising production and lower prices are in prospect.

Eggs

Egg production was estimated at 5.35 billion dozen in 1977, down one percent from a year earlier. Egg production has declined sharply in recent years, and was down about 8 percent last year from the 1972 level. However, with the lower feed prices, egg producers are expected to increase output about 2 percent above year ago levels in the first half of this year and by a somewhat smaller percentage gain in the second half. Consequently, egg prices this year will likely remain below the levels of a year ago, especially in the first half of the year.

Milk

Milk production has trended upward since 1975, and some further increase is expected this year. Production in 1977 was estimated at 123 billion pounds, up from 120.4 billion pounds a year earlier. With the lower feed prices, dairy cattle feeding in recent months has been relatively heavy, and output per dairy cow was up about 3.5 percent last October from a year earlier.

The average price received by farmers for milk last year was above year earlier levels after the first quarter of the year. The average of $10.10 per hundred pounds in October was 14 cents per hundred pounds above the price a year ago. With the higher Government support prices this year, milk prices are expected to average well above 1977 levels. Government purchases through price support operations removed the equivalent of 6 billion pounds of milk, almost 6 percent of total production, from the market in the first 10 months of 1977.[7] In contrast, only a quarter of a billion pounds was removed through such operations in the previous year. Government purchases are expected to continue at a high rate at least through the spring grazing season since demand and supply conditions will keep the market price below the support price level.

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[7] Such surpluses are donated to various outlets including military or veterans hospitals, schools, child care centers, and foreign government and private welfare agencies.