

Agriculture 1975 - Predictions

There seem to be no political catastrophes brewing. Oil prices appear to have reached a point where they can't get much higher. And there's even talk of a tax cut.

So, things don't seem to be getting a whole lot better. But then, they don't seem to be getting a whole lot worse, and maybe segments of the farm market have bottomed out.

"Good Managers Will Survive."

We asked Lancaster County Agent Max Smith what he thought about the prospects for farming in general, and he said he thinks 1975 is going to be a "challenge" for farmers. "Management becomes more and more important every year," Smith said, "and this year it's going to be more important than ever. High input costs and depressed markets for livestock products will demand good management of capital, land and labor."

Smith said he was happy to see the new farm tax bill on

the scene, and hopes that its provisions will be implemented as quickly as possible. But he doesn't expect the bill itself to do much to slow the exodus of Lancaster County farmers from their fertile lands. "Farmers will continue to sell their land to developers. The farm tax could take a little pressure off them, but farmers still have to cope with inflation and rising costs, and many times the only way to do that is to sell out.

"But I think we've lost enough farmland here in Lancaster County. I think it's time to be satisfied with what we've got. It's time to put a caution light on the industrialization of our farms."

Milk Price Down, Then Up

"Milk prices will probably decrease until April, then they'll head upwards," we were told by Dr. Paul Hand, the economist for Inter-State Milk Producers Cooperative. "In March, Secretary Butz will have to set a new sup-

port level, which will have to be higher than it is now. At this point, it's virtually impossible to predict prices, but I can say that prices must be higher in 1975 than they were in 1974."

Hand based his statement on the assumption that the government support level for milk will likely affect the prices which dairies pay to farmers. The law requires the secretary to set the milk support price at 75 percent of parity and last year the support price was pegged at \$6.57. The new support price, though, at the legally mandated 75 percent of parity should be around \$7.11, Hand said.

A \$7.11 support level would mean a \$10 Class One price for Federal Order 4 dairymen, and a blend price of about \$9.00 if Class One utilization is 63 percent.

One factor which could help dairymen is a bill passed by both the House and Senate and now before President Ford calling for milk support prices to be pegged at 80 percent of

parity. This, according to Hand, would put the support price at \$7.58. "I don't think we're going to get that bill, though," Hand said. "The Secretary of Agriculture, the Council of Economic Advisors, and the Wage and Price Board are all advising the President not to sign it. And that's pretty stiff competition."

Even with higher prices in the offing, Hand said, farmers will still have to be careful if they want to make a profit in 1975. "The only thing that will really improve dairy incomes is a bumper crop of corn and soybeans. Even with the support price at \$7.11 it's just not profitable for dairymen to feed \$3.50 or \$4 corn."

Beef

A 3-Year Slump?

The beef market is in a slump and looks like it could stay there for a few years, Bill McCoy, president of the Lancaster Livestock Exchange told us. "I hate to make predictions because I've been shot down so often in the last year," McCoy

said, "but there's just so much beef around that I think we're going to be a long time getting rid of the surplus. And until we do, we're going to be seeing a depressed market. Maybe it'll be this way for two or three years."

Although he doesn't see any big turnaround, McCoy said he does think there'll be some beef producers, especially locally, making money in the cattle business. "But they'll have to stress grower cattle, good feed converters."

McCoy said local feeders will be in a good position this year to compete with the big commercial feedlots in the Midwest. "Our feeders use their own corn and their own roughage, and they supply their own labor. I think they'll be able to show a profit where the feedlot operator who has to buy \$4 corn won't be able to. In the past few years, small feeders have found it tough to compete with investor-owned feedlots, but I think we'll see the smaller operations getting back into control of the market."

Could that mean a lot of the bigger operations will be scared away from cattle feeding? Is "smart money" going to find a new home? "Feedlots have made a lot of money in the last few years. Sure, times are getting tough, but the bigger operations, the ones that have been going for 10 or 15 years, are going to stay in business. They've got the capacity to weather this depressed market and they will. Seed feedlots that began in the past two or three years may go under, but the feedlot is still going to be a factor in the marketplace."

Hogs - Lots of Variables

Hog prices should be better in the next six months or so, we were told by Mark Nestleroth, a Duroc breeder from Manheim and a past president of the Pennsylvania Pork Producers. "The big thing holding down hog prices will be the beef

price," Nestleroth said. "If there's too much beef, prices will stay down no matter what the supply of pork is. The general economy, and the size of our grain exports will influence hogs, too. It's going to be an interesting six months, but I think people who stay in pork production will be making some money."

Nestleroth pointed out that live hogs are selling locally now for 42 to 43-cents, the highest in years. "Futures for next summer are up to 49-cents, and if that's any indication, I think we'll be seeing 50-cent hogs here."

He figures that prices now are above a typical breakeven level of 38 to 40 cents, but nothing to shout about. "You still have to be an awfully good feeder to make money. If you're paying \$150 a ton for feed, and you have a four-pound conversion rate, you've got 30-cents a pound for the cost to feed a pig from farrowing tin fattening. That's before any of your other expenses, which are going up all the time."

A Good Year for Poultrymen?

Lower feed costs and continued strong prices for eggs and broilers should put Pennsylvania poultrymen in a pretty good profit position for 1975, according to Richard Ammon, executive director of the Northeast Poultry Producers Council, Fairless Hills, Pa.

"I was in a meeting with some economists from Girard Bank just the other day," the man from Neppco said, "and they expect all prices to come down in 1975. I think feed costs will come down, and so will poultry and egg prices. But I don't think they will come down as much or as fast as feed, so poultrymen could have a wider margin to work with in 1975."

Ammon was especially optimistic about the turkey growers in Southeastern Pennsylvania, especially the ones who grow, dress and

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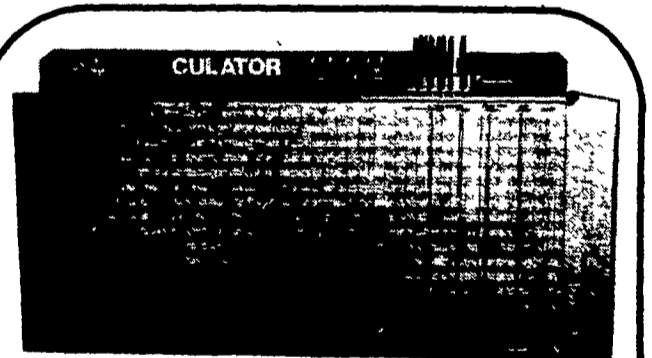
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