

Policy debate

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Factors which contributed to this satisfactory year for dairy farmers were good prices for milk and reasonable production costs, Sumner said. The only change next year is that production costs may run slightly higher, he said.

At the moment Sumner said, dairy farmers are "victims of an increase in production which always accompanies an increase in price." In times of good price, Sumner said, dairy farmers always push for peak production which results in supply going up while demand remains constant. Consequently, there is lower Class I utilization which means a

lower blend price for farmers.

Sumner talked about factors which influence the milk market, and used the incident of last week's radiation report as an example of something "which hit the dairy industry hard because of over-reaction to the situation." Sumner said the dairy industry is hardest hit not because its product is more vulnerable than other products, but because the industry has an excellent sampling program already in existence which makes it easy to run extra tests, in this case tests to determine the levels of Iodine 131. Despite the fact that the levels never approached

dangerous levels, there was an adverse impact on sales.

Sumner added that a good year for pricing in 1977 hinges on the Secretary of Agriculture continuing to adjust milk supports to 80 per cent of parity. Assuming this happens, dairymen can look forward with confidence to a good year, with prices probably not dropping more than \$.15 per hundredweight.

Miles Thomas, representing Merrill, Lynch, Pierce, Fenner and Smith, Inc., mixed both good and bad news in his report about the future. He said it is his opinion that the beef market has bottomed out and that livestock prices will go up. This is tempered, of course, with the realization that "if corn prices skyrocket, this projection will be altered."

Now that harvest is coming into its final stages,

Thomas said it is more possible to get a clearer picture of what is to come. Commenting on the tremendous impact of weather on prices, Thomas said that previous predictions of \$2.00-on bushel corn will not come true because of the midwest droughts which brought down total production considerably. Now, in all probability, Thomas suggests that corn will go higher, although he says it will not reach \$3.50 and possibly not even \$3.00 mostly because "you can't profitably feed animals at that price."

According to USDA reports, Thomas said the poultry industry is expanding and the 8-10 per cent more broilers will be competing with beef and pork in the future. "We have had a strong hog market," Thomas

said, "And now the prices are down. You won't see any great price advance in the hog market in the next three to four months." He added that "perhaps the prices won't go down, but the hog market is more treacherous than beef."

Calling the grain market a "guessing game," Albert Landis, grain merchandiser for Pennfield Corporation, discussed the major factors which influence the price of grains, saying that the law of supply and demand still controls the market.

He said the weather has a very strong effect upon the price of grains, and mentioned the current heavy rains in the United Kingdom as an influencing factor since seeding cannot be done. After a severe drought, the worst in 200 years, they are now experiencing their wettest autumn since 1918, he said.

Domestic usage is also important in pricing, Landis said. Grains used through livestock in this country is three times the amount used in export. Landis added, "Feed demand for corn and beans will be the largest single influence on the grain market in the months to come." He pointed out that for the past 20 years, "expansion of the livestock industry has been predicated on low cost feed."

Grain exports also influence the price, but here, Landis says, "You run into

politics." He talked about the possibility of a new power split in the world - petroleum power versus agricultural power. He said in his opinion agri-power is now coming to the fore.

Landis also talked about the desire for more animal protein throughout the world, based on a human desire for an improved diet which comes with a better standard of living.

According to Abe Diffenbach, manager of the New Holland Sales Stables, the livestock market fluctuates widely today and operates differently from the time when the "Chicago price" was all you needed to get on Monday morning. Today he said there is an 11 market total.

Diffenbach said beef imports have a large impact on the market and expressed concern about some U.S. territories which by-pass import quotas by importing meat, breaking it up and processing it and in turn bringing it into this country. He said further that retailers do not drop the price of beef in the store in relation to the live price. "I don't think the packer himself is the one getting the money." Other large factors in the market, he said, is supply and demand, and beef grading.

Bob Heilbron, with the Lancaster Stock Exchange, also recalled a different market, and the changes which have taken place during his 30 years in the business. He recalled when packers came to market on Monday mornings ready to buy. Today, he pointed out, "They can go to market any day of the week and they don't really need to buy cattle because they have so many different places to buy livestock that they keep a firm supply on hand."

This situation, according to Heilbron, is detrimental to farmers. He urged the young farmers to consider using the market system more. He said, "If more farmers and more people would use the market system as established, they will have more security in numbers and will have more feel for the ebb and flow of livestock whether it is feeder cattle or slaughter cattle."

"Market men can prove that people who consistently use the markets will in the long run have livestock on the market when activity is better off than normal," Heilbron said.

In the general discussion it was felt that corn prices could reach \$3 by mid-winter, and it was recommended that if local farmers have the facilities it would be wise to store corn. It is probably also wise, if facilities are there, to buy protein meal if necessary, since an increase in soybean price is almost certain.

Perhaps the most valuable advice to the young farmers came during the questions following the formal presentations when Abe Diffenbach advised, "Stick with what you've been doing." He said that in the cycles of the livestock business, a man will experience good years with the bad and the overall picture will be positive.

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