

## Investment exec sees brighter cattle markets

KANSAS CITY, Mo. — Positive factors "decidedly outweigh" the negative in the near-term outlook for cattle breeders and investors, despite an impending recession and its potentially depressing effect on consumer demand, says Ronald Jarvis, Jr., president of Oppenheimer Industries, the Kansas City-based

diversified agri-investment firm.

"Although we've seen a slight weakening in cattle prices in recent months, a number of important statistical trends prove very heartening for the near future, at least," said Jarvis.

"Most significantly, the Department of Agriculture has revised downward its estimate on fourth-quarter

beef production, predicting a 17 percent decline in place of the 10 percent drop it originally foresaw. That certainly should have a positive effect on December futures prices."

Jarvis also noted that weekly cattle slaughter dropped recently to about 113,000 head, which is 21 percent below the figures of

a year ago. And total red meat and poultry production now is expected to be off by one percent in the fourth quarter by USDA estimates, although a three-percent increase had been expected

"Price fundamentals for grain as well as cattle look very positive, despite crop harvests that currently far outstrip domestic demand,"

Jarvis observed. "Yet the mood among both ranchers and farmers is rather conflicting. They don't know whether buoyancy over current conditions or caution about the future should dominate their decisions.

"Normally, for example, this would be a time for recycling hefty proceeds into additional land and equipment," he explained.

"But the threatened recession and concern about interest rates are producing second thoughts about new investment. And availability of funds also may prove to be

a problem. Many country banks already have loan-to-deposit ratios in the 65-70 percent range, the highest level in many years."

Jarvis recommended in light of conflicting signals, producers and investors "proceed with caution."

"But I certainly would put as much emphasis on the verb as on the noun," said the Oppenheimer president. "Proceed. Because with positive indications as strong as they are, I do not see this at a time for standing still in the cattle or grain industries."

## On-farm storage: will it pay in 1980?

OCEAN CITY, Md. — This year promises to be the most expensive one yet to hold grain in hopes of obtaining higher prices later on, University of Delaware extension crops marketing specialist Carl German told a crowd of 850 farmers at the recent Delmarva Corn Technology Conference in Ocean City, Md.

It will cost more in at least two ways, he explained: (1) higher interest charges for financing inventory (perhaps obtained at 10 to 12 percent), and (2) greater

risk that prices may not improve enough to pay for holding your crop.

"You can be sure that the costs of on-farm grain storage facilities are going to continue to rise," added the specialist.

The big question is whether revenues for drying and storage will be able to keep pace.

"If you decide that on-farm storage is for you," German cautioned the corn farmers gathered in Ocean City's Convention Hall, "shop around and do your homework. It's no longer

appropriate to make flat recommendations regarding the cost and benefits obtained from on-farm grain storage."

The economist based his remarks on the results of a study he reviewed recently on the economics of on-farm corn storage.

The study takes into account the costs of owning and operating a variety of storage facilities, including batch-in-bin dryers with storage, batch-in-bin and sturter dryers with storage, automatic batch dryers with storage, and continuous-flow dryers with storage at annual volume rates ranging from 6000 to 100,000 bushels.

When annual operating costs were calculated for these different systems, a 24,000-bushel facility was found to be the smallest size unit which is economically feasible at today's operating costs and corn prices.

The rate of return before taxes from on-farm storage units compared in the study ranged from negative to nearly 30 percent, reported German.

In some cases, the rate of return before taxes was below the interest rate which could have been earned on the money invested in the system. All systems involving 6000-bushel storage capacity yielded negative rates of return.

Furthermore, on-farm storage facilities of the type compared in the study only begin to become feasible for the 500-acre grain producer. And rising costs will have the effect of making the minimum farm size required even larger, predicted the economist.

Smaller producers wanting to store grain do have

alternatives, he noted. They can look into the possibility of pooling their resources, labor and capital with other farmers.

Currently members of one grain company on the Shore pay an annual cost of approximately 59 cents per bushel for corn drying and storage (including interest on inventory).

Compared to this, one local commercial facility charges somewhere in the neighborhood of 98 cents per bushel.

The important thing is to look closely at all your options, stressed the economist. Every farmer should make a careful analysis of his costs and potential returns before deciding whether or not to invest in storage facilities on the farm.

## Penn State conducts survey

UNIVERSITY PARK — Preservation of farm land, health care, employment, opportunities, education, transportation, energy, consumer protection—these are some of the issues that concern many Pennsylvanians today. They're also issues in a comprehensive survey being conducted in mid January by Pennsylvania State University researchers

Called "Pennsylvania: The Citizen's Viewpoint" the survey will ask more than 20,000 randomly selected Pennsylvanians their opinions on a wide variety of issues facing the state and local communities.

The survey is being done, according to project director Dan E. Moore, so that local officials, citizens' groups and civic organizations can know what Pennsylvanians see as priorities for the 80's.

In preparing the survey, Moore and project coordinator

Anne Ishler consulted with over 1000 of these key people.

A unique aspect of the survey is the large number of people who will be asked to complete the questionnaire. The main reason for this, says Moore, is to have enough people sampled in every county so that results can be analyzed by county, by region and by major urban area.

How well survey reflects citizen opinion will depend on how well people respond to the questionnaire.

When similar surveys have been conducted in other states returns were in the 70 percent range. Moore feels that Pennsylvania can do at least as well

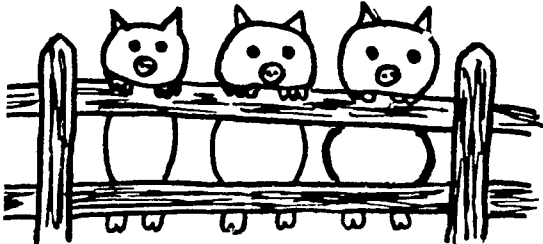
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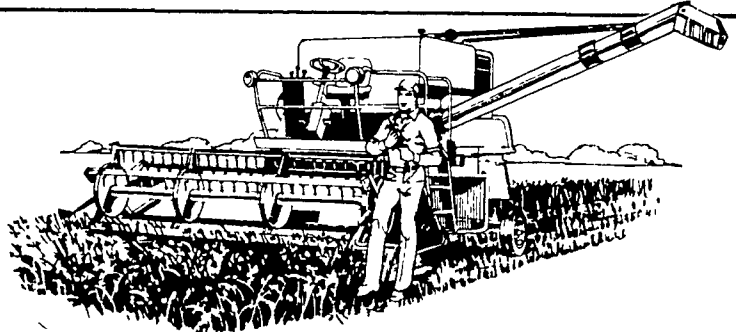
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