

## Lou Moore forecasts rapid changes in a troubled livestock industry

UNIVERSITY PARK — The red-meat industry is in turmoil.

Most producers of fed cattle and hogs have operated without profit for 2 years.

Packers are closing, or merging in order to stay in business. Pennsylvania has lost 3 major plants in recent weeks—a beef slaughterer, a hog slaughterer, and a leading ham producer.

Many consumers, caught in an economic squeeze, have less income and spend less of it for red meat.

The stage is set for major adjustments in the red-meat industry.

### Iowa Beef Merger

Iowa Beef Processors, the nation's leading beef packer and trend setter in boxed beef, has agreed in principle to merge with Occidental Petroleum. Acquisition of IBP will cost Occidental about \$808 million—not a bad price for a meat company that has been in business for only about 20 years.

Both firms claim the merger will be good for them. Iowa Beef says that the tremendous financial backing available through Occidental Petroleum will enable it to move into the pork business and expand export markets quicker than originally planned. Occidental says they want to be firmly entrenched in the food business by 1990, because it thinks food in the 1990s will be as critical as energy has become in the 1980s.

This is just another step which increases concentration in meat packing and processing. By the late 1960s a total of only four

packers were buying about half the fed cattle in the leading feeding states. Today, the four leading buyers account for more than 65 percent of fed cattle purchases.

Except for these four leading firms, beef packers have been on the defensive. In fact, an estimated 40 percent have closed their doors since 1969.

Is it true that the future belongs only to the Occidentals, Cargills, General Foods, and Continental Grains?

### Fed cattle hit \$70 - again

During the second week of June, a few fed cattle at local markets sold for more than \$70 per hundredweight—the first the \$70 level had been exceeded since last November.

Prices have advanced more than \$10 per hundredweight since early April. Beef production increased 6 percent in the first quarter of this year, but has declined about 2 percent during the current quarter. Most of the increase was attributed to heavier weight animals.

Further price increases for fed cattle are expected this summer, despite the reluctance of consumers to become eager buyers of beef. The late-spring retail price of beef of about \$2.36 averaged about a dollar a pound above pork. Such a difference in price drives consumers to pork and poultry.

Mid-summer cattle prices should reach at least the mid-\$70 range. While this is welcome news to producers, it's not much to cheer about. Today a cattle feeder needs a price of about \$75 per hun-

dredweight just to cover his costs. But after 2 years of losses (in some months almost \$13 per hundredweight), many feeders will smile as the break-even price approaches.

Will the current recovery be sufficient to encourage an expansion in cattle feeding?

### Pressure off feed prices

A slowdown in grain exports and less corn used by domestic livestock producers should insure comfortable carryovers rather than critical supply binds, as earlier feared. A record winter wheat crop is near harvest. Corn planting has slowed in some leading states because of rainfall, but the rains should help bring a big crop.

We have, in desperation, offered the Russians up to six million tons of grain before September 30th. They are, at least to date, ignoring our offer while signing long-term agreements with Argentina and Canada. We may have become a supplier of "last resort" to the Soviet Union.

Our livestock industry should welcome larger grain supplies and somewhat lower prices; lower grain prices would decrease the breakeven price for beef and hog producers.

### Hog prices improve

Slaughter supplies of hogs have been dropping in recent weeks, causing prices to move consistently higher. Prices are expected to exceed \$50 during the second half of 1981.

Even though the price is up sharply in recent weeks, there is no

profit in the business. The break-even price for efficient producers is about \$53 per hundred.

But the June pig crop report

indicates production cuts will continue. The December-May pig crop was down 9 percent and producers have 12 percent fewer breeding animals on farms.

## Sire ID checked with blood test

BRATTLEBORO, Vt. — Since January, 13 A.I. studs have volunteered 75 of their young holstein bulls for a random blood-typing program still in the research stages.

The National Association of Animal Breeders (NAAB) and the Holstein Association have established the project in order to improve identification in cattle in DHI tests.

"We have a program designed to evaluate the accuracy of identification of bulls entering active A.I. service," explained Richard Nelson, spokesman for the Holstein Association.

The Holstein Association will select four daughters at random per sire to be bloodtyped with their respective dams, if available.

The daughters are a proportionate share of grade and registered animals from the USDA report with records that contributed to the bull's proof.

"The proof of most bulls," said

Nelson, "is based on more grades than registered."

William Durfey, Executive Vice President of the NAAB explained that bloodtyping can and has been applied in practical breeding situations.

Because cattle have a great number of blood types, the complexity of their blood groups maximize the chance the right sire will be identified.

"But, there is always the possibility that more than one bull would qualify as a sire," said Durfey.

The blood typing project will help identify how much misidentification may be occurring and what can be done to improve any problem areas.

As a result of the project, the researchers may find out just how accurately dairy farmers keep records, explained Nelson.

Meanwhile, encouraging dairy farmers to keep accurate records and calving dates is an on-going process, Nelson concluded.

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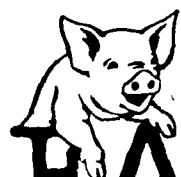
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