

Beef prices stable, hog prices up slightly

USDA forecasts slow farm economy for start of 1982

WASHINGTON, D.C. — The agricultural economy has been facing declining prices in response to this year's large U.S. and world crops.

In the next few months, however, final provisions in the 1981 farm bill and developments in the general economy will modify the marketing outlook. Hoping to brake the price decline, the Administration has proposed a wheat set-aside for the 1982 crop and has opened the farmer-owned reserve to this fall's feed grain crops, reports USDA's Economic Research Service.

With slow economic growth and high interest rates expected to continue through first-half 1982, general economic conditions are unlikely to boost agricultural prices in the near-term. However, economic policy, like farm policy, depends on the outcome of the 1982 appropriations process.

Expansionary spending and tax policies combined with tight money and credit policies could continue the "stop-and-go" pattern of economic growth for some time.

The slow economy is still squeezing livestock producers between costs rising with inflation and prices dampened by plentiful supplies and slow demand. For the year, hog prices will likely rise about \$5 over 1980's \$40 average, reflecting a 6-percent decline in slaughter; however, this decline in pork supplies will not be sufficient to raise cattle and poultry prices from last year's levels.

Declining livestock prices have been a major factor behind the continued downward revisions of farm income estimates through the summer. As the large crops became apparent, crop prices began to decline, further lowering receipts. Current prospects suggest that farm income in 1981 will not be substantially higher than 1980's low level.

Expanding U.S. crop prospects

have accompanied declining Soviet prospects. Further deterioration in the Russian wheat crop estimate and a lower foreign export estimate raised the October estimate of U.S. wheat exports 2 million tons from September. Similarly, a lower estimate for Soviet feed grain production led to upward revision of anticipated U.S. exports, now forecast to rise 4 million tons from 1980/81. Total U.S. grain exports for 1981/82 are expected to be 128.3 million tons, 3.1 million above last month's estimate.

Improved export prospects have not raised price prospects because the October production estimates exceeded September's. The corn crop will likely reach 8.1 billion bushels, or 205 million metric tons—22 percent above last year's depressed output. The wheat crop estimate remains at 2.7 billion bushels, or 74.8 million tons; while soybean production could reach 2.1 billion bushels, or 57.3 million tons.

This year's low prices and farm income point to slow markets for input industries in first-half 1982, as acreages will likely decline and farmers will continue to postpone equipment purchases. These conditions could strengthen a trend toward equipment leasing rather than purchasing.

Livestock Cattle

Lower grain prices, increased feeder cattle movement as grazing conditions decline, and prospects for modest profits late in the fall should encourage increased feedlot placements this fall.

However, fed cattle marketings are expected to remain below year-earlier levels through much of the first quarter of 1982. Lower fed cattle marketings plus nonfed slaughter near year-ago levels are likely to support moderately stronger cattle prices. But to obtain higher prices, feeders will have to continue holding down

slaughter weights as they have this summer.

With total red meat and poultry supplies rising above a year earlier in the third quarter, meat prices began to decline in early October. This downward pressure was largely due to continued marketings from the record large April feedlot placements. However, most of these cattle were marketed by late October.

The feedlot inventory on October 1 was the smallest since 1967; cattle on feed in the 23 major cattle feeding states numbered 9 percent below a year earlier. Net placements during the third quarter declined 11 percent from a year ago, while marketings increased 4 percent from last summer. Feeders indicated intentions to market 3 percent fewer fed cattle than a year ago this fall. The number of cattle in weight groups likely to go to market in November and December fell 4 to 11 percent below last year.

Choice steer prices at Omaha declined from near \$70 per cwt in early July to about \$61 in late October as fed cattle marketings increased. Prices may average \$65 to \$68 in the fourth quarter, with prices near \$70 possibly occurring late in the quarter. Prices are expected to average \$66 to \$70 in the winter quarter.

Feeder cattle prices at Kansas City remain under pressure from adequate feeder cattle supplies and narrow feeding margins. However, very favorable pasture and small-grain grazing prospects this fall — plus lower grain prices — are expected to support feeder cattle prices. Yearling feeder steer prices increased from the low \$60s in early summer to around \$66 in September. However, prices declined along with those for fed cattle in early October.

Prices are expected to remain near to slightly above fed cattle prices this fall and winter.

Prospects for favorable small-grain grazing this year may also support feeder calf prices.

Hogs

Commercial hog slaughter for all of 1981 may range from 88 to 92 million head, down about 6 percent from a year earlier but the third largest slaughter on record. For the year, hog prices are forecast to average about \$46 a cwt, compared with \$40 last year.

Commercial pork production in the third quarter totaled about 3.6 billion pounds, down 4 percent from a year earlier. During July-September, barrow and gilt prices at the 7 markets averaged \$50.42 per cwt. In September, pork production was 4 percent below a year earlier, and hog prices averaged \$49.68 per cwt.

Sharply lower corn prices and only slightly lower hog prices in September combined to produce the best cost and returns situation of the year for hog producers.

Hog slaughter for the fourth quarter will come largely from market hogs weighing 60 to 179 pounds on September 1. This inventory in the 14 major producing states was down 8 percent from a year earlier. Commercial slaughter is forecast 7 to 9 percent below a year earlier, with hog prices averaging \$46 to \$49 per cwt.

Dairy

Commercial disappearance of milk and dairy products (milk equivalent, fat-solids basis) for the first 8 months was about even with a year earlier. Relatively small retail price gains this fall should increase disappearance. However, the slow economy may hold the rise in use to about 1 percent.

September 1 commercial holdings of dairy products were equivalent to 5.8 billion pounds of milk, about 5 percent below a year earlier. Anticipated large milk production in August-October and high interest rates this year prevented the commercial stock

buildup that normally occurs during February-July.

Meanwhile, Government holdings of dairy products (milk-equivalent basis) doubled to reach 14.7 billion pounds. Net purchases of dairy products by the Commodity Credit Corporation during the October-September milk marketing year rose 55 percent over 1979/80 — equivalent to 12.7 billion pounds of milk.

Broilers

Broiler producers continued to expand production in the third quarter even though costs exceeded wholesale prices. Broiler production in the third quarter was about 11 percent greater than in the summer of 1980, when low returns and hot weather reduced output.

Chicks placed for October and November production plus egg sets for December production suggest total fourth-quarter output may be 4 percent above last year.

Broiler prices were below year-earlier levels during the third quarter and are likely to remain lower again this quarter, partly because of seasonal factors. Although red meat supplies are below last year, the weak economy will likely restrain consumer spending and hold prices down.

Eggs

Production usually rises in the fourth quarter as demand increases, but this year it may trail last year by 1 percent because the flock is older and fewer replacement pullets will be available. Egg production during the third quarter of 1981 was about the same as 1980's 1,432 million dozen.

Egg production in 1982 is expected to be down 1 percent from 1981 because producers have had no financial incentive to add replacement pullets.

September egg prices in New York averaged about 75 cents a

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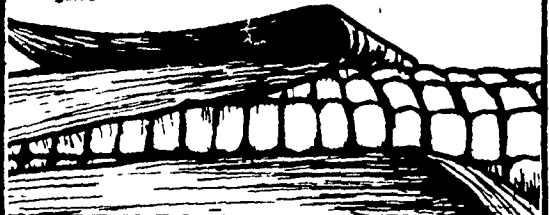
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