



## Brockett's Ag Advice

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### Looking Down The Road

Last week I gave my impression of what will happen with farm input expenses in the future. In a way that was the "good news." Now for the bad news. Most farm commodity prices will be soft, which means they will not be very good over any extended period of time. A combination of low prices, adverse weather conditions, overwhelming debt, and taxpayer revolt will probably erode the ranks of full-time commercial farmers.

Traditionally farmers have never paid enough attention to two areas of their business. One of these areas is cost of production. The second one is marketing. The first one is easier to control on the part of the manager. The second one is controlled by a number of factors, most of which can not be influenced by an individual farmer or even a small group of farmers. However, marketing knowledge must be part of management's responsibility. Marketing facts should have a bearing on

production and financial management decisions.

Milk is one of the biggest sources of farm income in my area of central Pennsylvania. Milk prices have dropped rather dramatically in the last few years. The net price for milk now is between 10 and 11 dollars per hundred. In the next four to five years, it will probably slip down to an area between nine and ten dollars. In the near future, milk may go up once the assessment comes off in the fall of 1987. This increase will be partly offset by a reduction of the support price, which will affect the blend price for Pennsylvania milk. Overall in the next few years, dairy farmers will see a reduction in prices that will exceed those of the late 50's and early 60's.

Blame it on the government (for past dairy programs that encouraged too much milk production or for present programs that cut things off too rapidly), or on dairymen from other parts of the country such as

California or Wisconsin, or on consumers who do not drink enough milk, or on those who opposed milk advertising and new product research in the past, or on anyone else. It makes little difference who was at fault in the past, the fact is that there is more milk being produced in the nation than there is demand for that milk. The dairy buyout program may do nothing for milk prices, but it sure has hit the cull cow and beef prices pretty hard at times. Look for cull cow prices to stay low for the next few months, then fluctuate as the second and third waves of buyout cows hit the market. By the fall of 1987 we should see a return to normal marketing of cull cows.

Grain prices will probably stay depressed until the 1990's unless the Midwest runs into a prolonged drought such as the Southeast is having right now. By then much of the marginal land, that came into production during the boom years of the 1970's, will be out of production, either via government set aside programs or because it will have been deemed as unprofitable for farming. Some people feel that it will be loss of

farmers that will turn prices around. Actually loss of farmers in the grain business would have very little effect on the price of grain. As farmers go out of business, other farmers generally expand to use their land. The turn around in grain prices will come when and if demand ever catches up with supply. That can only happen if yield per acre goes down, number of acres goes down, or usage increases.

Fish is "the new kid on the block" as far as the red meat industry is concerned. Today nearly all fast food places sell fish. It was not too long ago that beef was the only, or at least the main, meat sold by many fast food places. The fish competition has hurt red meat prices. It will continue to compete for a larger share of the red meat market. This will hasten the integration of the swine industry.

Once pork is primarily a contracted commodity, prices will become more stable, management will become more a function of the integrator, and farmers will become laborers and technicians. Is that all bad? Not necessarily, because the pork producer will have records kept for him or her.

This will lead to a more efficient industry. Beef will be more difficult to integrate, but it will come in time. Results for the beef industry will be similar to what happened in the poultry industry and what is already happening with the pork producers. Meanwhile both pork and beef producers who are interested in making a profit raising livestock must determine their cost of production so they can either (1) reduce it, (2) unite and fight it, (3) go out of business because the cost can not be reduced to equal price, (4) use forward contracting or hedging to "lock in" profits or reduced losses, or (5) a combination of two or more of the above.

Farm commodity prices in general will be depressed for several years unless a disaster hits a major production area (such as a drought in the Midwest, a major disease of dairy cattle in Wisconsin) It is unfortunate that a disaster in one area is needed to make other area farmers profitable. Watch the poultry and peanut industry prices during this next year following the major drought and hot weather in the Southeast.

### SBA Extends Hours For Flood Victims

LANCASTER — The Small Business Administration has announced additional hours in order for individuals to apply for federal loans due to the July 26, flash flood in Lancaster County. They will be accepting loan ap-

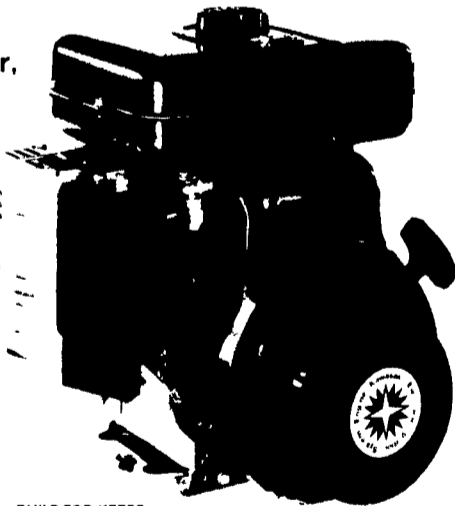
plications from 9 a.m. to 6 p.m. from Monday, Aug. 18, through Friday, Aug. 29, 1986.

The SBA is headquartered at the East Hempfield Township Building, 1700 Nisslèy Road, Landisville.

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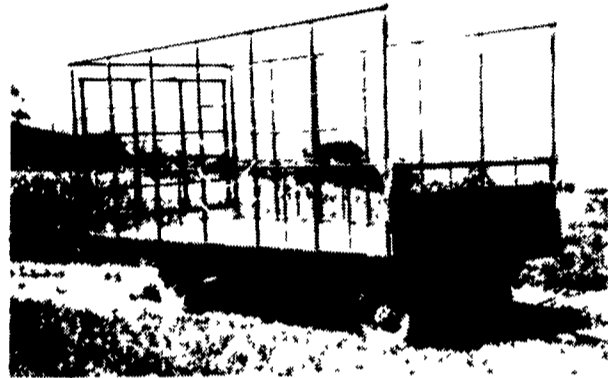
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