Experts See Opportunity In Markets For 1990s

MARKET OUTLOOK AS WE ENTER THE 1990's

The National Outlook Conference held in Washington in late November shed new light on prospects for 1990 and beyond. The nation's economy celebrated 7 years of economic growth in November. This is an amazing performance considering that average length of economic growth between recessions has been only 36 months since World War II. Some economists expect a recession in 1990. If we get a recession it will be a very mild one. The so-called "soft landing" being engineered by the Federal Reserve would cause very little damage to the economy. Net farm income in 1990 is projected at $44 to $49 billion. This would be only 2 to 5 percent below 1989's record. Most of the weakness in income is expected to be shouldered by grain producers. Grain output in 1990 should be up, resulting in lower prices. There is also likely to be less support from government payments, but lower interest rates should stimulate some growth in the economy.

BEEF - Total beef supplies which were unchanged in 1988, fell 3 percent in 1989. Production in 1990 will probably increase about 1 percent from 1989 but will remain below production levels of 1983-88. The stage is being set for increased production of fed beef but cow slaughter should decline. It appears a higher percentage of heifers are going back to farms for herd replacements. Cow-calf operators have been encouraged by high prices and improved profits. Herd rebuilding will result in fewer animals being slaughtered in 1990. Net returns to cow-calf operators have averaged about $40 per head in 1989 and may increase to $45 to $50 per head in 1990.

Fed Steer prices in 1990 should average $2 to $4 per hundredweight higher than in 1989. Cattle prices should reach $80 for a brief period in the first half of the year. Lower feed prices than a year ago will be helpful to feeding margins but it will be difficult for cattle feeders to turn a positive net margin. Losses in 1989 ranged from $4 to $12 per hundredweight depending on the month cattle were sold.

HOGS - Pork supplies increased 9 percent in 1988 and another 1 percent in 1989. After 2 years of losses, we would expect pork supplies to decrease in 1990. It appears, however, that pork supplies will increase 1 percent nationally in 1990. In Pennsylvania supplies will increase much greater than national figures indicate. The September report indicated that hog numbers in Pennsylvania are up 9 percent. Intentions in September were to farrow 13 percent more sows in the state than a year ago in the September-November period.

Net returns to hog producers have improved in recent months and returns are well above cash costs but slightly short of covering all costs. Part of the stronger market in the fall resulted from a reduction of pork imports from Canada and Europe and a stronger demand from U.S. consumers. Hog prices during the next several months will be stronger than during the same months in 1988 and 1989.

The potential for substantial price increases for hogs and cattle will be restricted because we will have another record supply of meat in 1990. Broiler supplies, which were up 7 percent in 1989 will increase another 7 percent in 1990. Turkey output was up 6 percent in 1989 and should increase at least 5 percent in 1990.

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BEEF BY-PASS PROTEIN VS. UREA IN FEEDLOT DIETS

A recent University of Nebraska study has shown by-pass or escape proteins were more desirable than urea-based supplements in diets in the early feeding phase. In addition, they found calves implanted at 53 days of age with a growth-promoting implant were 15 lbs. heavier at weaning and maintained this weight advantage over non-implanted steers through the finishing phase.

The so-called by-pass proteins are those that escape degradation by the rumen bacteria and are absorbed directly in the lower gut of the steer. The purpose of using these proteins is that they are sometimes more efficient in providing protein from direct absorption, rather than being "eaten" by the bacteria and absorbed as bacterial protein. The proteins used were a combination of blood meal and feather meal which are known to have high by-pass capabilities.

The steers in this study were fed dry rolled corn with one or the other of the protein sources and they were evaluated at 41 days, 136 days and at finish. The calves were put on feed at approximately 600 lbs. and the trial was conducted over two years. The results were calves receiving escape proteins consumed a similar amount of feed, gained slightly faster and were slightly more efficient than those receiving urea-based supplements. This was particularly true for the first 136 days on feed where the calves with escape protein diets consumed more feed, gained .21 lbs. per day more and ate .3 lbs. less feed per lb. of gain. These steers did not show this response between 136 days on feed and finish.

This demonstrates using escape proteins early in the feeding period will result in better performance than when using urea-based supplements. However, the cost per unit of the escape proteins is higher and it can be replaced with the urea supplements later in the feeding period.

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USING ROUND BALE SILAGE

A recent report from the University of Florida has summarized some of the management advantages and disadvantages of using round bale silage when compared to conventional hay systems and fresh-chopped silages.

Some of the advantages cited for round bale silage included: * Decrease in the time used to dry the forage compared to hay * Reduced chances of rain damage to the forage * Reduced field losses * Increased harvesting flexibility to optimize forage quality * Excellent dry matter recovery compared to chopped silage * Decreased energy costs compared to chopped silage * Lower initial capital costs compared to chopped silage

Some of the disadvantages cited were: * Increased capital costs compared to haying systems * Annual costs for expendable supplies such as bags and plastic * Susceptibility of the plastic to sunlight and rodent damage The work by Kunkle et al. indicated there was a sizeable difference in the cost per unit of dry matter in 3 systems under review. They reported the cost per unit of dry matter (a more realistic feed cost) was $29.00, $15.80 and $21.30 per ton, respectively, for bale bags, long tubes and stretch wraps. These costs included the cost of purchase for stuffers and bale wrapping machines which were depreciated over 3000 bales There are several custom units available for rental or lease in Pennsylvania which may change this costs in our area.

Some of their other conclusions were: * The primary advantage of the round bale silage system is the greater flexibility of harvest to optimize forage quality. * Dry matter recovery, cattle gains and consumption of forage (grass) was greater for forage that was wilted to about 50% dry matter before harvest. * Inoculating round bale silage with lactic-acid producing bacteria temporarily improved bale quality, but secondary spoilage was not prevented. * Treatment of round bale silage with a combination of enzymes containing cellulose (to break down indigestible plant cell wall material) and a microbial inoculant tended to increase consumption and dry matter recovery. * Ammonia treatment of grass silages improved consumption and recovery of wilted bale silage, but was detrimental to direct-cut, unwilted round bale silage.

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