

Farming Changes In 1990

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There have been world business changes, such as the merging of Ford New Holland and Italy's Fiat to form a world giant in agricultural machinery.

There have also been a number of local farm-based businesses that have expanded their lines of products to cater to a widening demand from customers who are now both rural and urban.

Then there was the takeover of Kuwait by Iraq, under Saddam Hussein, which resulted in condemnation and blockade of Iraq by the United Nations.

The huge inflow of U.S. military forces to Egypt, with no timetable for withdrawal, and the huge potential for war, has already affected local farming.

One side of agriculture benefitted.

Because U.S. troops need milk, the U.S. government has contracted with an Egyptian business to supply milk. However, the business needed cows and the Pennsylvania Holstein Association sold about 500 bred heifers, which are expected to freshen in spring.

On the other side, oil price increases resulted from the Persian Gulf aggression. Those increases have come at a bad time, and on top of the back of the oil price surge that resulted from a huge oil tanker spill off the coast of Alaska.

The large increase in fuel prices has been passed onto farmers in a number of ways.

Almost every agricultural support or service business has raised prices to farmers to cover the profit loss due to increased fuel prices.

And while dairy farmers had enjoyed high milk prices for most of the year, those gains were quickly lost as milk prices dropped almost \$5 a hundredweight.

Some farmers have been losing large amounts of operating money because of the cut in milk price. With the added support service costs, it has been a cold Christmas season, even if there has been no significant cold weather or snow until the last week of the year.

The only aspect of the year's events that seems to offset the sharp decline in milk prices is the low feed price that resulted from a good growing season.

Many farmers have been changing to alternative businesses to help them through rough times. They've been adding such side businesses as greenhouses, roadside stands, organic farming, warehousing, feed and grain consulting and venturing into sales of agricultural products.

Still on the world level, local impact is expected to be felt from European changes.

The Soviet Union, in the throes of reorganizing, is seeing wide hunger and low food supplies. The U.S. has extended a \$1 billion credit line to the Soviets for the purchase of agricultural products.

Poland is making faster headway on the road to a free-market system. Penn State officials expect to be sending representatives to the country over the next several years, starting with 1991, to help the Polish people usher in a working extension system.

The Germanys re-united. The effect of their agricultural produc-

tion practices on world trade and local agriculture industry is yet to be seen.

The General Agreement on Trades and Tariffs (GATT) collapsed on the issue of agricultural, but there may be some hope. A tentative date of Jan. 15 for some talking between U.S. and officials with the European Economic Community (ECC) may occur.

However, Jan. 15 is the United Nations' deadline for Iraq to withdraw from Kuwait.

According to John Zimmerman, director of livestock marketing with the Pennsylvania Department of Agriculture, "It's been a good year and a bad year."

Zimmerman and his staff travel to Pennsylvania livestock markets to grade animals for sale. They report the sales, as staffing permits.

"If you were in the beef in business, it's been a good year, it (prices) stayed up substantially and they're still high, both on the feeder and finished end.

"Feed yards are having some low prices, but locally, prices have been real good this past fall, and even now.

"The hog business - that's kind of been up and down. It's had the 'yo-yo' effect. It hasn't been bad, but not real good.

"In the sheep business, it's been a disaster. Wool prices have been very low, very little demand. Lamb prices have been low. Right after the Easter lamb market they were lower than usual and they didn't respond (increase) the way they usually do. In fact, at one sale, they darn near gave them away. A lot of people in the business are talking about getting out," Zimmerman said.

There are about 30 auction

markets in the state, and that number has remained stable for the last several years, though fewer and fewer buyers are attending the auction sales, according to Zimmerman.

"The markets are subject to sharper rises or falls (in price) on any given day," Zimmerman said. He said two major beef packers operate within the state and they are among the top 20 in the nation, and there is one major pork buyer.

He said there are few hogs and fewer slaughter cattle being sold at auction, though "still a good percentage of slaughter cows and veal."

Zimmerman said that world trade and international relations are more important to local businesses than they have been.

"A lot will depend on what happens in the Persian Gulf and with GATT," Zimmerman said. "Those things are more of a common denominator (to Pennsylvania agriculture) than local conditions."

Though interest rates are very low, the U.S. economy is in a recession, by most experts' accounts.

The huge financial blunder of the savings and loans industry and Congress, and now the failures of strip-malls and business parks have hurt the reserves of many federal banks, putting pressure on the FDIC and a crimp on lenders' abilities to make secured loans.

However, according to Michael Firestine, vice president in charge of agricultural lending at Lebanon Valley National Bank, despite the huge failures, the downturns in the housing and real estate industry, and the precarious position of the FDIC, agricultural banking appears to be on solid ground.

"As far as Ag lending, what

we're looking at is a downward trend in interest rates," Firestine said.

"The control of the currency has been pressuring the banks to be prudent in the lending practices," he said.

However, Firestine said he observed some differences in farm banking and spending over the past year.

"With all the money the farmers were making in 1990, we didn't see a lot of new farm machinery loans, which is really surprising," Firestine said. "I think the farmer has been more cautious, thinking that they're receiving pseudo-prices. I think they (farmers) are more cognizant of it (economic instability) than in the past because they have seen these roller coaster prices."

To help with lending projections for the coming year, for the past dozen years, Firestine and his staff often seek the advice of Louis Moore, marketing specialist at Penn State University.

"A lot of times, what we'll do, is we'll give Lou Moore — the wizard of economics — a call and see what kinds of trends he looks for in cattle prices and hog prices. And he even goes so far as to extend himself to dairy prices," Firestine said.

"It gives us a feel for maybe what the future holds and helps us in doing some projections," he said.

According to Moore, while many livestock producers might be feeling the effects of a recession in 1991, poultry producers, especially broilers, will be enjoying a banner year.

"Total meat consumption for 1991 will reach a record high, with

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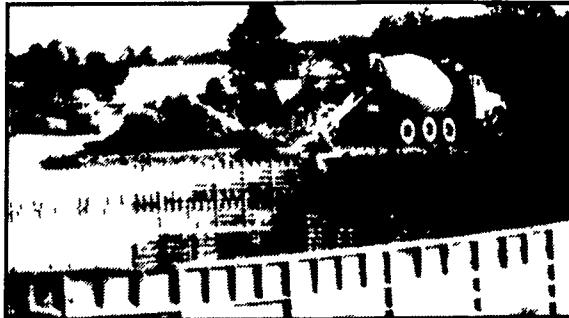
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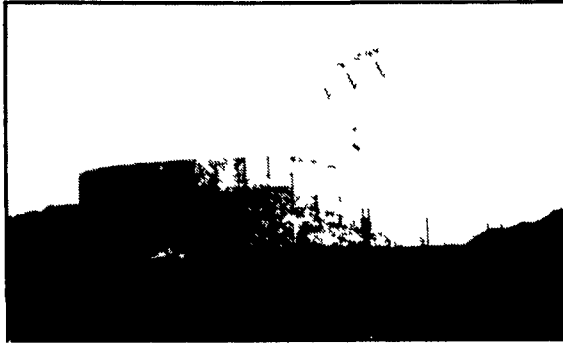
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