Moore Gives Predictions On Livestock Industry

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NORTH CORNWALL (Lebanon Co.) — The economic forecast for the livestock industry is tight margins, but some growth, according to H. Louis Moore, Penn State University professor emeritus of agricultural economy.

Moore has been a perennial provider of an economic forecast for livestock producers at various agricultural seminars in the state.

In his presentation, Moore discussed the livestock and grain situation, and what possible and probable outcomes could result.

He said that with the national economy doing well, no recession in sight, inflation not a concern, and continued growth likely, that while strong profits are not predicted, livestock producers may be able to at least break even.

He also said that while grain production is predicted to set records, that grain use has continued to grow, and prevented a surplus.

In fact, he said carry-over supplies of grain stocks from one harvest to another has become marginalized, and grain prices shouldn't be expected to drop significantly even with a record crop.

He said that while grain production levels are an important factor in making an analysis for generating a forecast, the level alone can not be used as an indicator of future value.

Instead, the grain production level must be compared to the level of demand and uses for the grain, in order to assess probably future value.

Grain demand has been tracking production, and livestock production has grown in response to grain availability.

While Pacific Rim nations may still represent a valuable market for livestock and grain, dramatic changes in economies there have decreased the likelihood of those countries buying great amounts in the near future.

He said that exports, while "a more fickle" market of meat, will continue to be important.

He said demand for United States meat can be expected to continue in Europe and Russia. He said meat production there has yet to become reliably productive or efficient, especially in the nations formerly in the Soviet Union.

Moore said that what meat they eat, though perhaps expensive, can be provided by the United States.

To illustrate further the need to compare uses with grain production levels, he said that the 1997 soybean crop was the third largest ever for the United States, with the highest year being 1994, and the second highest year being 1996.

At the same time, carry-over grain — that available for continued sale until the next harvest — has not been that strong.

For example, the peak for United States grain carry-over was 1987, Moore said, when there were almost 5 billion bushels of corn from the 1986 crop to be able to market during 1987.

In 1997 the carryover from 1996 was 884 million bushels. The carryover from 1997 into 1998 is 900 millions bushels.

Should weather adversely affect spring planting, summer growth or fall harvest, and result in a short crop, carryover grain stocks could be quickly absorbed to create higher prices.

He said that just the increase in reported intentions for hog and poultry production for 1998 can account in the demand of an additional 250 million bushels of corn from 1997.

He said that beef production is increasing, even with a reduction in the number of producers and animals. He said the beef production per cow has "increased dramatically" and the total production is up.

He said a trend continues for more and more production coming from fewer and fewer operations. He said that while 30 percent of the beef produced nationally came from operations with fewer than 149 animals, that 14 percent of the national production came from operations with more than 500 animals.

Those with more than 500 animals represent 5 percent of the industry. Therefore, 5 percent of the producers are making 14 percent of the beef going to market.

The trend continues in all livestock production for fewer, but larger operations, and the loss of smaller operations.

He said that 11 percent of the nation's hog producing operations left the business last year, but hog production managed to still increase.

In the hog industry, Moore said that 1.9 percent of the producers — those with 5,000 or more — produced 33 percent of the total last year.

Some non-livestock production aspects can be expected to drive some domestic production decisions.

Exports have been very helpful to all aspects of the livestock industry, but especially for poultry.

He said that last year we actually imported more beef than we exported, but it was in different forms.

He explained that the beef industry has become so consolidated that it has gotten to be difficult to assess prices. He said three slaughter companies do 80 percent of the nation's business and he said it seems appropriate to question the validity of prices reported.

The export of pork was 1.2 billion pounds, but because of the economies in the Pacific Rim, the devaluation of their money makes United States product more expensive, so gains in exports to there should be slower.

(However, it was reported this week in The Wall Street Journal that some of those Pacific Rim economies are making a strong rebound.)

He said that poultry has shown the most benefit from increased global trade.

He said he expects 4.7 billion pounds of poultry to be exported this year, and 600 million pounds of turkey. The United States doesn't import broilers or turkeys, and poultry is consumed worldwide.

Tracking exports for the three main meats — beef, pork and poultry — from 1991 through 1998, he showed that while beef and pork experienced significant gains, poultry grew quickly.

The forecast for pork production is more growth. He said it should go from 1997 levels of 17 billion pounds to 18.5 billion pounds.

He said the number of hogs on farms, as of Dec. 1, represented an increase of about 7 percent. The number of breeding hogs increased 5 percent, while there was a 9 percent increase in farrowing hogs during this first quarter.

In Pennsylvania, Moore said production should increase 14 percent.

He said he does expect domestic beef production to drop from last year, more or less as a correction.

He said that the supply is expected to drop after mid-year and the price of beef ought to rise into the 60-cent range. A level at which it will "still be hard to make a living," he said.

He said that he expects farm management to continue to increase production, as the increasingly fewer number of "integrators" battle to establish market share and presence.

For Pennsylvanians, last year's drought had some devastating effects forcing purchased feeds, or closing operations. The drought affected regional producers, but not national production or price.

He said he expects more off-farm work to supplement income for family farmers, or similar medium to small farming operations.

Some farmers are expressing a desire to get government back into the price control business, Moore said, though what effect that would have, given the political arena and the longer-term policy direction, is uncertain.

That United States livestock production has been growing strong (though under the control of fewer and fewer concerns), is evident.

Overall United States red meat production increased 20 billion pounds during the past 10 years, and broiler production almost doubled from 15 billion pounds to 29 billion pounds (projected for 1998), Moore said.

The per capita consumption — the amount of meat consumed, on average, by a United States consumer — can be expected to drop slightly for beef, from 66.9 pounds per person to 65.6 pounds, Moore said.

For pork, per capita consumption should increase from 47.9 pounds to 51.6 pounds.

Per capita consumption of broilers is expected to increase from 72.7 pounds to 77.5 pounds, and turkeys consumption is expected to increase slightly, less than a pound.

In total, per capita consumption of meat averaged 208.3 pounds in 1997. It is expected to reach 215.9 pounds in 1998.

Producer pork prices should be 8 to 10 cents lower than a year ago, but not as bad as during 1995, which was disasterous with prices in the 30s and 40s.

While overall exporting of goods and services by the United States has been growing for some time, with agriculture an important factor, the "fickleness" of the market isn't limited to agricultural products.

This week, also in a report in The Wall Street Journal, it was noted that United States January exports represented an overall stagnation for the first time in 24 months. In other words, the overall exporting activity for the United States did not grow.

However, that fits with the changes and effects Moore noted in the Pacific Rim nation economies — with the dollar being increased in value that much more over some Pacific Rim currencies, United States' consumers should be able to purchase more non-agricultural and some agricultural products less expensively.

In his presentation, Moore suggested that United States consumers are in a strong position — inexpensive and abundant food, competitive prices on durable goods, and now the promise of even lower cost imported goods from Asia.

At the same time, however, there have been a number of published reports about consumers reaching credit limits, and significant increases in personal bankruptcies.

Some have expressed concerned about how long the United States economy can remain on such a growth track with consumers building such debt, and at the same time have more and more people exceeding their ability to pay debt.

But, it should also be remembered that with the United States consumer purchasing inexpensive goods from those Pacific Rim nations, that the increased business they receive should work to help restore their economies and strengthen their ability to purchase more meats and other agricultural products from the United States, as well as higher-valued products.

In his summary, Moore said that the strong United States economy and continued strong consumerism are both good news for agriculture; that grain production should continue to rise with prices staying stable; livestock production overall should rise and generally prices fall; and export growth should continue to help all sectors in absorbing production and perhaps growth, but not as much as it has during the past several years.

Milk Handler Speaks At Ag Seminar

EVERETT NEWSWANGER
Managing Editor

EPHRATA (Lancaster Co.) — The president of a milk handler company told farmers at a commercial ag seminar Wednesday that even though we have not had government buying surplus milk products for much of the '90s, we have had a reasonable milk supply across the country.

Thomas Dietrick, president of Dietrick's Milk Products, Inc., said that without this relief valve the markets are more volatile. The market is more dependent on supply and demand at any given time.

He also said the consumers walk away when the price is too high. In addition, there is not as much margin in the handling and manufacturing of milk products as many people think. He listed the lack of accelerated depreciation and investment credit as examples of advantages handlers no longer have. In addition, he said consumers walk away when the price gets too high.

"We don't have the market stability we had," Dietrick said. "As long as we have milk trading above support, we will see volatility. Any time you have excess milk that must be traded below the negotiated price, the whole pricing system falls apart.

"Milk supply right now is stronger than I would have guessed. We have had to work hard to keep everything processed. I would have expected the ice storms in the north to curb supply. But it still seems to be there. The good milk prices may have some effect. Whenever milk prices are up, it always produces more milk.

"Regardless of the discussion in milk pricing under Federal Orders, I believe we will have milk prices high enough to insure an adequate milk supply. Federal Order reform has been long overdue. Consolidation must be done. The U.S. secretary of agriculture has announced suggested changes. They include a move to pricing in four classes instead of three. They are Class 1, fluid milk; Class 2, soft; Class 3, hard cheeses; and Class 4, powders and butter. The price is tied more to the market value of components.

On a question from the floor about the new ARMPPA cooperative that has been holding meetings across the nation to try to force higher prices on the farm by gaining control of 20 percent of the milk produced on the farm, Dietrick said it sounds like something that has been tried before.

"Farmers already control 20 percent of the milk, but they have not been able to make much change," Dietrick said. "My feeling is that there is not much we can do about the price of milk.

"The consumers walk away when the price is too high, and the handlers don't have some of the advantages they had in the '80s, such as accelerated depreciation and investment credit. While ARMPPA is an appealing proposition, whenever there is too much milk, any pricing system falls apart whenever milk must be traded for a lower price than has been negotiated."

Dietrick said that if farmers have the energy and time to get involved in such a movement, it is fine, but in the end, products can only be sold at a price the consumer will buy.

Maryland Ag Breakfast

CHARLOTTE HALL, Md. — The Southern Maryland Agricultural Commission will hold its ninth annual Southern Maryland Agricultural Breakfast with state and local elected officials on Monday, Feb. 9, from 8 a.m. to 10:30 a.m. at the Jaycee's Community Center on U.S. Route 301 in Waldorf, Md.

The breakfast provides a forum for the agricultural community of southern Maryland to meet and discuss current issues with federal, state, and local elected officials and policy-makers. This year, it also provides an opportunity to report to the agricultural community and southern Maryland's elected leaders on the efforts of the newly appointed regional Agriculture Task Force, which is developing the agricultural segment of Southern Maryland's regional strategy. An important component of the regional strategy will be an action plan and recommendations to federal and state policy-makers for sustaining agriculture as an important part of the southern Maryland economy.

The cost to attend the breakfast is $7. For more information or to make a reservation, contact Candy Walter, agricultural specialist, at (301) 884-2144 or 870-2520. The deadline for reservations is Feb. 3.