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***Agricultural Extension Service  
Department of Agricultural Economics  
University of Minnesota***

## FORWARD

This publication contains summary situation and outlook statements for a number of agricultural commodities important to Minnesota agriculture. The review statements were prepared by a number of faculty members of the Department of Agricultural Economics at the University of Minnesota. The statements are based on an analysis of the current situation and indicators of future trends and adjustments in supply and demand. The publication provides a basis for developing feeding, storage, inventory, farm program participation and other plans made by agricultural production and agribusiness managers.

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# BUSINESS AND AGRICULTURE

## General Economy

The American economy is experiencing its 9th year of uninterrupted expansion. Yet the performance of the economy during the last twelve months was unsatisfactory by almost any criteria.

Gross National Product, in current dollars, increased by 7.7 percent from the second quarter of 1968 to the second quarter of 1969. This was substantially below the 9.6 percent increase recorded the year earlier. Most of the increase was eroded by an inflationary price increase that carried the consumer price index to almost 6 percent above a year earlier. A quarter by quarter analysis indicated both a consistent decline in the rate of growth of real GNP (measured in constant prices) and a consistent increase in the rate of price inflation through the second quarter of 1969. These trends appear to have extended into the third quarter of 1969. In our 1968 outlook we correctly anticipated the slow-down in the rate of growth of GNP but were mistaken in our expectation that the monetary and fiscal measures taken to dampen the excess demand for goods and services would also slow the rate of price increase.

The rate of economic growth, as measured by real GNP, is expected to remain low the rest of 1969 and well into 1970. This projection is based on an assumption that the rate of growth in the supply of money will be restrained and the government will run a budget surplus. The big question centers on how long it will take for the slow-down in real economic growth to dampen the rate of increase in wholesale and consumer prices. At the present time it seems likely that wholesale prices could experience some weakening by the end of 1969. However, with the institutional rigidities in our economic system, no significant decline is expected in the rate of increase in consumer prices until well into 1970. Failure to extend the surtax beyond January 1970 or to cut government expenditures as expected could, when combined with an inflationary psychology, contribute to another year of inflationary price increases of 4 to 5 percent.

The slow-down in GNP is almost certain to be accompanied by a rise in unemployment. The unemployment rate may rise to above 4.0 percent. Much of the higher rate of unemployment will be concentrated among new entrants to the labor force and those with less education.

## Agricultural Net Income

Net income per farm will be at a record high in 1969. Realized net farm income was up by 7 percent in the first half of 1969. The second half will see a like gain over 1968.

Higher livestock returns accounted for most of the income gains during the past year. Continued increases both in volume and in livestock prices will raise livestock sales again in the 1969-70 marketing year.

Cash receipts from crops, however, may be down slightly in the year ahead. Although feed grain prices are expected to hold because of higher domestic feed requirements, prices on soybeans and wheat will be lower, causing a slight decline in total crop receipts.

Production expenses will continue to climb. Total increases may be somewhat less than expected increases in sales and government payments allowing a further gain in realized net income for the 1969-70 marketing year.

Paul R. Hasbargen --

-- Vernon W. Ruttan

## FEED GRAINS

**AT A GLANCE:** At the present time total feed grain production is estimated to be slightly less than last year. Total utilization is expected to increase in the year ahead and carryover will likely be reduced modestly. During harvest, new crop corn prices are expected to drop up to 5¢ below loan rates. Oats and barley will be proportionately lower. Storing corn will likely be profitable, particularly if space is available. Number 2 yellow corn, basis Minneapolis, will likely rise to the \$1.30 level, where sufficient government loan redemptions will bring adequate supplies.

### Feed Grain Situation

Based on August 1 estimates, the 1969 feed grain crop will total 167 million tons--about one million tons under last year's crop. This production, plus the 48.5 million tons of carryover from the 1968 crop, means 1969/70 feed grain supplies will total 215.5 million tons compared to 217 million tons last year. Additional wheat feeding will likely bring the total feed supply up to the 1968/69 level.

Feed grain utilization in the year ahead is expected to reach 175 million tons, assuming the same rate of livestock feeding as 1968/69, and a slight increase in exports. The projected 1969 crop will not meet these needs. Thus, carryover in the fall of 1970 should be about 40 million tons. Key factors that could materially change projected utilization figures are the amount of wheat substituted for corn and grain sorghum as feed, the gains projected in export tonnage, and the rate of feeding per animal unit. If these projected production and utilization estimates materialize, feed grain prices will average slightly above last year's levels.

### Corn Situation

#### 1968 Crop Review:

Corn production in 1968 was the second highest on record, falling less than one percent below 1967. Carryover into 1968/69 was also high, yielding a total supply of 5.5 billion bushels. But favorable livestock prices and heavy feeding generated record utilization throughout the year. Even though exports were down, total use approached 4.5 billion bushels up 1.5 percent from 1967/68. Therefore, on October 1, 1969, we enter the new crop year with an estimated carryover almost 10 percent lower than a year earlier.

Prices last year fluctuated more than in a typical season. In anticipation of a bumper crop, Minneapolis cash corn prices fell to the \$1.00 per bushel level last September. As the season progressed and harvest difficulties continued, prices moved up during October. Through harvest in November and early December, prices fluctuated narrowly in the \$1.08 - \$1.13 range. Not until mid-April did the price clear the \$1.15 level. There was then a rapid rise to a peak of \$1.29 in the third week of May. Prices subsequently declined through June and July, before making a modest mid-August recovery.

As it became apparent that 1968/69 corn needs would exceed production, there was much talk of a "tight" corn market. Many people remembered the 1965/66 marketing year and high late summer prices. In the spring and early summer "free" supplies were short of projected needs for the remainder of the season.

Extreme tightness in the corn market did not develop. There was substantial redemption of CCC loans. Supplies of other feed grains, including sorghum, oats, and barley were high. And a record amount of wheat was fed (total wheat feeding in 1968/69 is now estimated at 175 million bushels, up from 57 million bushels in 1967/68). Total exports were also disappointing (in part this is attributable to last winter's dock strike, although increased foreign competition is the biggest factor). Consequently, price eased off after the May peak. Throughout the rest of the crop year, prices were influenced chiefly by new crop prospects and estimated inventories.

#### 1969 Crop:

On August 1 the USDA estimated the 1969 corn crop at 4.3 billion bushels--1.5 percent less than last year's crop. With less than a two percent decline in the number of acres planted this year favorable weather could bring production up to or slightly above the 4.37 billion bushels of last year. When this production is added to the 1.05 billion bushels of carryover from last year's crop, predicted total corn supply will be nearly 5.4 billion bushels--.18 billion less than last year.

Corn utilization during 1969/70 is projected to be nearly 4.7 billion bushels, or about 3.7 percent above the quantity used in 1968/69. This projection is based on an increase in livestock numbers to be fed, no change in the feeding rate, and a slight expansion of corn exports. Both the feeding rate and exports could be higher than our current projections. Oats, barley, and wheat will provide competition for corn feeding, especially in the first half of the year ahead.

Corn carryover at this time next year is expected to be about 700 million bushels--350 million less than this fall. Some of this reduction must come from government stocks.

#### Free Corn Supplies and Prices:

"Free" supplies of corn are the volume held in private hands at a given time. They are estimated as the difference between total supplies and government corn (including CCC owned, under loan, and resale). Data on government inventories are issued monthly. Total supplies are estimated quarterly, on October 1, January 1, April 1, and July 1. Hence, free supplies are also estimated quarterly.

If October free supplies plus production are below crop-year requirements, corn must be pulled from loan or government holdings. Requirements through a season tend to be drawn first from free supplies. If this is insufficient, price must be bid up enough to encourage farmers to repay government loans and sell on the market, or buyers purchase directly from CCC owned supplies. Alternatively, of course, low market prices attract corn into the government reserve and reduce the free supply.

In 1969/70, it is likely that substantial amounts of corn will need to come from redemption of CCC loans. The amount of price premium over support level required to draw forth this supply is then a critical factor in market price. In recent years, price has been forced to rise ten cents to fifteen cents over the national average loan rate to induce significant additions to free supplies from sealed corn. But it appears that relatively more old crop corn will need to be drawn from loan this year than in recent years. On this basis, it is conceivable that the rise could be more than ten to fifteen cents, if demand were sufficiently strong. There is not likely to be that much strength in demand.

#### 1969/70 Price Outlook:

It is likely that 1969/70 corn prices will reach a level at least as high as 1968/69. Utilization will likely exceed estimated 1969 production. In fact, projected needs are about equal to projected October 1, 1969 free stocks plus 1969 production. Assuming average quality storable corn and a normal harvest season, we would expect typical local elevator prices to run 0-5 cents below county loan rates during harvest. If there is much low quality corn or if there are harvest problems again, local prices could be lower. With last year's price experience, a large amount of storable corn will likely not be sold this fall. Given expected domestic livestock feeding and expected higher early exports, we should see good early demand. Hence, corn prices are likely to rise more rapidly in 1969/70 than in 1968/69. It is likely that Minneapolis cash corn will be at the \$1.30 level in late spring. But this may be about the seasonal maximum. It would be a level sufficiently high to pull corn from CCC control. It is likely to be reflected in old crop corn re-seal in the summer of 1970. It is also likely that later exports will taper off if the southern hemisphere has a normal harvest and as international prices induce substantial wheat feeding. Hence, the summer 1970 price pattern will be much like the summer of 1969--prices contingent on 1970 acreage and crop prospects. Given the relatively high expected spring 1970 prices, both induced acreage and rate of fertilization should bring a projected large 1970 corn crop having a bearish impact on summer corn prices.

#### CORN SUPPLY AND UTILIZATION

Year beginning October 1	Supply				Utilization				
	Carry- over	Produc- tion	Imports*	Total	Domestic			Exports*	Total Use
					Feed	Food, Ind. and Seed	Total Domestic		
Average									
1963-67	1,142	4,093	1	5,236	3,203	355	3,558	576	4,134
1968	1,162	4,375	1	5,538	3,618	370	3,988	500	4,488
1969**	1,050	4,310	1	5,361	3,758	373	4,131	525	4,656
1970**	705								

\* Includes grain equivalent of products.

\*\* Projected, August 25, 1969.

-- Willis E. Anthony and Richard O. Hawkins



# SOYBEANS

AT A GLANCE: Present estimates indicate a 1969-70 soybean supply 8.8 percent to 11.3 percent greater than 1968-69. Utilization is expected to be 4 percent to 5 percent greater than in 1968-69. Price will likely be governed by the \$2.25 price support rate, with harvest prices 10 cents to 15 cents under the loan rate and a seasonal rise of 5 cents to 10 cents above the loan rate. The amount of seasonal rise will depend on the premium required to induce loan redemption.

Within the memory of most soybean growers, demand has grown at least as fast as supply, and prices have been bouyant. Unencumbered by acreage controls or discouraged by depressed prices, farmers have planted more soybeans each year. In 1969, almost 4 acres of soybeans are growing for each acre in 1949. But 1969 saw a fundamental change in market conditions. The record 1968 crop could not clear the market at old price levels. Hence, the \$2.50 CCC support price dominated the market, and finally fell under pressure to the announced \$2.25 (with basis changed from No. 1 to No. 2) for the 1969 crop.

## Review of the 1968 Crop

Last September we had a record level of stocks at the end of an old crop year. Total old crop stocks were 166.3 million bushels (plus large supplies of oil and meal). Those soybeans were soon joined by a bumper new crop. By the time the combines rolled out of the fields, they had harvested 1,079.7 million bushels. Minnesota had a 70.3 million bushel crop, despite the fact that some soybeans were still standing in wet spots when the December snow came.

The Minneapolis cash price stood in the \$2.40 - \$2.45 range through the 1968 harvest. It didn't show an appreciable movement until late November when it touched the \$2.50 mark. Not until April did Minneapolis cash soybeans break the \$2.60 level. The price peaked in mid May, and has trended downward since.

Total supply of soybeans for the past crop year was about 1,246 million bushels -- up almost 17 percent from 1967-68. The domestic crush is estimated to have used 595 million bushels -- up 3.2 percent from 1967-68. Exports will probably total another 290-295 million bushels -- up almost 11 percent from 1967-68. About 61 million bushels went for seed, feed, etc. -- up 7 percent from 1967-68. Clearly, none of the demand categories grew as fast as supply. This leaves 295-300 million bushels of carryover into 1969-70 -- up 80 percent from one year ago.

There are a number of reasons why utilization did not increase as fast as supply. Last winter's dock strike probably dampened exports, although they were up sharply after the February settlement. Soybean meal faced stronger competition from cottonseed meal, fish meal, and urea. Although soybean meal consumption did increase, the soybean support price kept meal prices from discouraging all competition. Soybean oil has the same story. Utilization increased, but faced domestic competition from other vegetable oils. P.L. 480 oil exports (accounting for about 90 percent of U.S. oil exports -- mainly to India and Pakistan) were off over 7 percent from 1967-68. Soybean oil utilization probably would have been less had not the CCC purchased substantial amounts of cottonseed oil, maintaining a 3 cent cottonseed oil premium over soybean oil.

### 1969 Crop

The USDA now estimates a 1969 soybean crop of 1,061 million bushels. This is based on a predicted harvest of 41.6 million acres yielding a 25.5 bushel average. Last year's yield averaged 26.6 bushels. The lower yield projection is based on a million acre increase in Mississippi, Arkansas, and Louisiana plantings; and a 419,000 acre decrease in Minnesota, Iowa, and Missouri plantings. The Southern states normally have a lower yield. They also were dry earlier in the summer, but have had rain since. There has probably been some recent storm damage in the South, and the condition of the Midwest crop does not suggest a record yield. Thus, the USDA yield estimate may be realistic. If 1969 yield does reach last year's level, we will harvest a 1,100 million bushel crop.

The expected carryover on September 1 of 295-300 million bushels, plus the predicted 1,061 million bushel crop, would yield a 1,356 million bushel minimum present supply estimate for 1969-70. If carryover was 300 million bushels, and if the 1969 crop goes over 1,100 million bushels, we would have about 1,400 million bushels supply for 1969-70. Thus, supply will likely increase by 8.8 percent to 11.3 percent over the 1968-69 supply. It is most unlikely that growth in demand will keep pace.

Current 1969-70 projections indicate a domestic crush up 5 percent (to 620 million bushels) and exports up 6 percent (to 310 million bushels). If other uses absorb about 60 million bushels, total 1969-70 utilization will be about 990 million bushels. If utilization increases more than these projections in response to lower expected prices, we could see the first 1 billion bushel utilization level. At 990 million bushels, utilization would be 4 percent to 5 percent over 1968-69. Hence, ending stocks in 1970 would be a minimum of 366 million bushels, and could go over 400 million.

## Exports

The greatest uncertainty in projected utilization is probably with respect to exports. The world oilseed market has been growing. Since 1965, world net export trade in vegetable oils has grown 15 percent. Since 1964, world net exports of protein meal has increased 36 percent. If U. S. export prices in 1969-70 are competitive, soybean exports could exceed 310 million bushels. However, world vegetable oil supplies in 1969-70 are expected to be 3 percent to 4 percent above 1968-69. Protein meal supplies may also be higher. Hence, the expected 6 percent increase in exports may be the limit.

## Loan Activity

Price levels in 1969-70 will likely be dominated by the CCC loan rate and "free" supplies. The 1969 loan rate is \$2.25 per bushel, No. 1 grade. County loan rates are proportionate. If prices at local elevators during harvest fall 10 cents to 15 cents or more below county loan rates there will likely be considerable loan activity -- particularly in the light of current interest rates on commercial loans. A price rise of 5 to 8 cents above the loan rate will likely draw ample supplies from storage to the market. This would mean local prices of 5 to 8 cents above the loan rate during the marketing year, with terminal prices in the \$2.30 - \$2.35 range. One would, of course, expect the higher price later in the season. However, it is likely that loan activity will be sufficiently great that initial "free" supplies will be exhausted rather early in the year, yielding price recovery after harvest to 5 to 8 cents above the loan rate.

Sales of soybeans by the CCC will probably not materially affect the 1969-70 market. The USDA has announced that the CCC will not sell beans at less than the higher of market price or 110 percent of the 1969 price support plus carrying charges. On the basis of support levels beginning September 1, the national average minimum sale price will be \$2.52-1/2. The monthly increase for carrying charges will be 1-1/2 cents until June of 1970. The minimum June 1970 resale price will, thus, be \$2.66, or the market, whichever is higher. If the above forecasts are borne out, few CCC soybeans will appear on the market.

Soybean Supply and Utilization, Crop Year Beginning September 1							
Supply				Utilization			
Year	Carryover	Production	Total	Seed, Feed etc.	Crushings	Exports	Total
----- million bushels -----							
1968	166.3	1,079.7	1,246	61	590	290	941
1969*	300	1,060.9	1,360.9	60	620	310	990
1970*	371						

\*Projections, August 25, 1960

-- Willis E. Anthony

## BEEF

AT A GLANCE: Prices on slaughter cattle and feeder cattle are expected to decline through the fall months. However, basic supply and demand conditions suggest that cattle prices in the year ahead will average higher than in the past year. Buying-selling margins should allow average to better than average returns over feed costs in the coming year.

### Feeder Cattle

There are fewer available yearling feeders than a year ago because of the over one million increase in cattle already on feed. The supply of calves is above a year ago because of the increased calf crop and the decrease in calf slaughter. These number change estimates were arrived at by the process shown in the following table.

Table 1. Estimated Changes in Feeder Cattle Supplies on October 1, 1969 vs. October 1, 1968.

Item	Yearlings	Calves
	<u>Number Change From Year Earlier</u>	
On Hand January 1		
Calves other than dairy	+ 360,000	xx
Yearlings other than dairy	+ 90,000	xx
Calf Crop	xx	+700,000
Imports	<u>- 50,000</u>	<u>- 50,000</u>
TOTAL SUPPLY CHANGE	+ 400,000	+650,000
January-September Disposition		
Steer and Heifer Slaughter	no change	xx
Calf Slaughter	- 100,000	-275,000
On Feed October 1	<u>+1,000,000</u>	<u>+175,000</u>
TOTAL DISPOSITION CHANGE	+ 900,000	-100,000
ESTIMATED CHANGE IN AVAILABLE FEEDERS, OCTOBER 1	- 500,000	+750,000

Beef prices are such that herd expansion will continue. However, since expansion will come in part from slower culling, the rate of heifer with-holding for replacement stock will not change enough to materially affect feeder supplies.

Range conditions are above average in the western states. However, pastures are dry in the Dakotas and Montana where many Minnesota feeders originate. Therefore, some cattle will move early but the large fall movement may be somewhat later than usual.

The demand for feeder cattle is strong. Feedlot capacity continues to expand rapidly in the southern plains. Profits on recent feedlot turns have been high. And outlook for fed cattle prices remains strong.

Prices on feeders will decrease from August levels by late fall. Unless fed cattle prices increase, feeder steers may be down by \$1.00 to \$2.00 per cwt. by November and calves by \$3.00 to \$5.00.

### Slaughter Cattle

During the first half year total beef production was about the same in 1969 as in 1968. Fed cattle marketings were up 5 percent. Nonfed steer and heifer slaughter was down a sharp 30 percent, enough to offset the fed cattle number increase.

Weights were under year ago levels in each month except June. Thus, steer and heifer beef production has been less than in 1968. These reduced supplies in the face of the strong inflation and increases in the demand for beef due to higher real incomes and lower unemployment resulted in sharply higher beef prices. The momentum of the increases carried prices to unexpected highs in June. Price then dropped back just as rapidly and firmed at a level in keeping with the basic supply and demand conditions.

These basic supply and demand conditions suggested that fat steers should have brought \$3.00 to \$4.00 more than they brought in 1968. The margin over 1968 was \$2.50 in January on choice steers. It increased to over \$7.00 in June then dropped back to the current August difference of \$3.50.

Demand differences account for almost all of this price increase over 1968. The price spurt in May-June was, however, triggered by a drop in per capita production.

Demand remains the big question relative to future price movements. Market weight is also an unknown.

A top priority item for this administration is to slow inflation. As inflation rates are stopped, some economic slowdown will also occur. Thus, the last quarter of this year and the first part of next year might see an increase of only 6 percent over year earlier levels in the Gross National Product compared to the 8 percent increase during the first two quarters. (Most of the increase will continue to be inflation rather than real output.)

Pork and poultry prices may be more competitive in the coming year. But, for the remainder of 1969 hog prices will be considerably higher than they were a year ago. Therefore, the rate of increase in the demand for beef will be slowing during the year ahead. It may drop from the current 8 to 10 percent increase to only half that amount a year from now.

Will the supply of steer and heifer beef be more or less than this expected demand increase?

Steer and heifer beef production is dependent upon (1) available feeders, (2) rate of slaughter and (3) average slaughter weights. Table 1 showed the estimated number of feeders outside and within feedlots. Adding these together shows a potential increase in steers and heifers for slaughter of 500,000 yearlings and 925,000 calves as of October first.

The slaughter rate on nonfed cattle will be cut into slightly by a higher heifer holdback. And if cattle are held to heavier weights, slaughter rates will be reduced somewhat in the short-run. On the other hand, gains should be faster than those achieved in many corn belt feedlots last winter. On balance, it appears that steer and heifer slaughter will increase by about 500,000 head, which is less than 3 percent, during the three quarters beginning October first.

Weights could increase by 1 or 2 percent over the relatively light weights of last year bringing total steer and heifer beef production up 4 or 5 percent -- almost equal to the expected demand change. Or weights could remain the same, having the supply change less than the demand increase.

Slaughter prices could, therefore, be about the same during the next three quarters as during this period in 1968-69 or they could average higher. The low price last year put choice steers near \$28.00 in October. The price pattern for the next 6 months could be about the same except that the low will probably come later in the fall quarter. Fall quarter prices will average above year earlier levels with choice steers around \$29.50 unless weights increase. Prices during the first half of next year would also be higher than in 1969 except for the May-June period.

The calf supply will be reduced somewhat by continued lower imports, but this will be more than offset by decreases in calf slaughter. Consequently, potential supply increases for the 1970-71 slaughter year now appear to be in the neighborhood of one million head or 4 percent of the current steer-heifer annual kill. This should prove to be equal to or less than the demand growth leaving prices prospects essentially the same as this marketing year.

### Profit Prospects

If calves that will finish as choice slaughter animals are laid in at \$35.00 per cwt. and 600 pounds of gain are added for \$23.00 per cwt., a market price of \$29.00 would cover all costs. Therefore, given some decline in feeder prices from August levels, it appears that returns to cattle feeding could be above average in the coming year. However, assuming a \$30.00 selling price, all nonfeed costs would not be covered if the 400-450 pound calves cost over \$37.00 per cwt.

Yearlings which are held for a weight gain of 450 pounds and sold at \$30.00 should be purchased at no more than \$32.00 if all costs are to be covered.

-- Paul R. Hasbargen

# HOGS

**AT A GLANCE:** Barrow and gilt prices during the first 8 months of 1969 averaged approximately \$23.50 per cwt., an increase of almost \$4.00 per cwt. over 1968. Conditions look favorable for continued strong prices during the last quarter of 1969, averaging between a high of \$26.00 per cwt. in early September to an expected low of \$22.50 per cwt. in December. Increased supplies and a weaker demand during the first half of 1970 will reduce prices from the levels established in 1969. However, they should remain profitable for hog producers. If 1970 spring farrowings increase as expected, more price pressure will develop during the last half of 1970.

## General Conditions

Conditions in the hog industry have been favorable for hog producers over the past 4 - 1/2 years. Prices of barrows and gilts averaged \$20.90 per cwt. on eight major markets over this period. Feeding profits have been good as reflected in the 17.7 to 1 average hog-corn ratio established over the time period. Total production changes have occurred over the 4 - 1/2 year period in response to changing economic conditions but have been moderate. This suggests that the industry is somewhat more stable than in the past. The supply situation is apparently affected more by the stable hog producers and less by the inner and outliers.

Improvements are also evidenced in the demand for pork. Analysis of consumption-price data indicates that consumers in recent years have been willing to take more pork at the same price or the same production at higher prices. Two major factors appear to have contributed to this improvement in demand from the 1950's and early 1960's. First, pork quality has improved. Almost 50 percent of the hogs slaughtered in 1967-68 were graded U. S. No. 1 as compared with 30 percent in 1960-61. Second, consumer incomes have been steadily increasing over the period encouraging increased consumption of pork as well as other meats.

## Recent Market Developments

Hog producers marketed about 2 percent more hogs during the first eight months of 1969 than a year earlier. On a per capita basis supplies were about 1 percent more. However, the strong demand for pork resulted in a substantial price advance during the period (Table 1). Higher incomes, low level of unemployment and higher prices for competing meats, especially beef, are some of the major demand factors that have contributed to the stronger demand.



Table 1. Hog Prices at Eight Markets 1968-69  
Barrows and Gilts

Month	1968	1969	Month	1968	1969
January	18.31	19.77	July	21.38	26.05
February	19.41	20.41	August	20.08	26.50*
March	19.07	20.69	September	19.93	25.00*
April	19.00	20.38	October	18.29	24.00*
May	18.88	23.14	November	17.02	23.75*
June	20.43	25.16	December	18.76	22.50*

\*Estimated

Prices during 1969 advanced at a sharper than normal seasonal rate from an average of \$19.77 per cwt. in January to a monthly average high of \$26.50 in August.

#### Prospects for the Remainder of 1969

Demand for pork is expected to remain 6 to 8 percent above a year earlier for the remaining months of 1969. However, due to expected seasonal declines in prices of competing products, some weakness is expected from the extremely high demand levels registered in the second and third quarters of 1969.

Hog supply indicators point to increased marketings during the fall months compared with the summer quarter. However, compared with a year earlier, total fall marketings may be about the same to down slightly. The June 1 Hogs and Pigs Report estimated 7 percent fewer hogs on farms weighing less than 60 pounds compared with a year earlier. This reduction was consistent with the reported 8 percent drop in March-May sow farrowings, but was a reversal of a reported 5 percent increase in farrowings intentions in the March Hogs and Pigs Report. This abrupt change suggests a possible error in one of the reports and should, therefore, be viewed with caution. The actual change from a year ago could well fall somewhere between the reported intended increase of 5 percent and the reported "actual" decrease of 8 percent.

Assuming first that the March-May farrowings and inventory are correct, and the expected demand level, the price decline this fall will be slight from the \$26.00 per cwt. level established in August. However, if the farrowing level last spring was about the same as a year earlier -- which seems more probable at this time -- seasonal price declines this fall would be closer to normal.

If the latest farrowing reports are correct, the fall price decline would be only a moderate \$2.00 to \$3.00 per cwt. decline from August levels. But if farrowings were increased, hog prices could decline from \$3.00 to \$5.00 per cwt. from the levels established in August. Therefore, the December low might range between \$24.00 or \$21.00 per cwt., depending on supplies.

Price differentials will favor lighter hogs in the 200-220 pound range, but due to the expected light supply situation in the fall of 1969, the differential will be less than normal.

### Hog Situation and Outlook 1970

The price and profit situation during the first half of 1970 will be heavily influenced by the 1969 fall pig crop (June-November). Most indicators point to some increases in farrowings during this period. Intentions stated in the June 1 Hogs and Pigs Report indicated a planned expansion of 3 percent. The hog-corn ratio during the breeding season for this farrowing period was approximately 19 to 1. Also, the level of sow slaughter this summer, relative to the total number of marketings, point to holding back of sows from slaughter.

We expect that farrowings this fall will increase from 3 to 6 percent. Projecting this into the first six months of 1970 would call for increased supplies of pork of a similar percentage range over a year earlier.

The demand for pork is not expected to increase materially in 1970 when compared to a year earlier. This prediction is based on an assumed slowdown in economic activity and stronger competition from poultry and beef at the retail counter because of higher supplies and lower prices.

Supplies of pork during the last half of 1970 will depend on whether or not hog producers follow the increases expected this fall with continued increased farrowings in the spring of 1970. The probability is quite high that they will. The excellent profits experienced this summer and fall should be incentive for expansion within the 4 to 6 percent range. During the breeding season this fall, the hog-corn ratio will likely be around 19 to 1, well above the needed level for the average hog producer to break even.

### Price and Profit Prospects - 1970

Barrow and gilts prices on 8 major markets during the first four months of 1970 will average about the same as a year earlier when barrow and gilt prices averaged \$20.31 per cwt. level. More pressure on price compared with a year earlier can be expected during the summer months of 1970 when pigs farrowed after December 1969 begin to appear on the market. Only small seasonal price increase is expected from the average established during the first four months.

The price situation during the latter months of 1970 will depend heavily on hog producers actions late next spring. If increased farrowings do not expand by much over 4 to 6 percent, no serious problems will develop. However, if the increase turns out to be greater than this and demand stays about the same, prices could show considerable weakness next fall. The situation will bear careful attention as 1970 progresses.

Profit prospects still appear to rank good for much of 1970. This is largely based on good hog prices with some expected increase in production costs.

-- Kenneth E. Egertson

# DAIRY

**AT A GLANCE:** Continuation of the more favorable price and income levels of recent years is the prospect for the remainder of 1969 and 1970. Total domestic demand will hold about constant. With supplies likely to continue to decline, upward pressure will be exerted on price. Neither imports or exports are likely to greatly modify this picture.

## Production

Total United States milk production is on its fifth consecutive year of decline. Production in 1968 was 7.8 percent below the record level of 127 billion pounds in 1964. For the first six months of 1969, milk production was 1.9 percent below last year.

Though total United States production has declined, there are important regional differences. The largest decreases took place in the Northeast, Lake States, Corn Belt and Northern Plains. The Lake States, one of the most intensive dairy areas, had a decline of 8.9 percent from 1964 to 1968. On the other hand, the South and Pacific states showed increases over this period.

The two dimensions of total, that is production per cow and number of cows, changed dramatically between 1964 and 1968. Production per cow increased almost 1,000 pounds or 11.2 percent. But this was more than offset by a 16.9 percent decrease in cow numbers.

Several factors have been important in the decline in milk production. Attractive farm and nonfarm alternatives are available. Cash crop and other animal enterprises promise as large or larger returns and at the same time are less demanding in terms of labor requirements. The availability of hired labor is a factor. Further, it is likely to become more important in dairying as herds increase in size. With military requirements and the high levels of nonfarm employment, hired labor is undoubtedly difficult to obtain. The depressing impact of all these factors on milk production is likely to continue for the next year and probably beyond.

Imports are another source of dairy supplies. This potential supply is limited by import quotas, although loopholes and production definition difficulties introduce a good deal of variability into the amount that enters. The European Economic Community, through a program of high price supports, has brought about burdensome surpluses in those countries. Any potential outlet is exploited to the fullest. As a result, we imported 3 billion pounds of milk equivalent in dairy products in 1967. Tightening of quotas has reduced this level. Imports this year are expected to total about 1.3 billion pounds.

## Consumption and Demand

The consumption side of the dairy picture in 1968 was a continuation of past trends. These trends will undoubtedly continue in 1969. Per capita consumption of milk products was 576 pounds (milk equivalent basis) in 1968, about one percent less than a year earlier. Population increase was somewhat greater than this, therefore, total dairy product consumption showed an increase.

Fluid milk products represent the largest share of milk consumption--303 pounds in 1967. This fluid milk component has shown a continuing shift to lowfat products, skim milk, buttermilk, two percent milk, and yogurt. In fact, lowfat products represented over 18 percent of total fluid sales in the first quarter of 1969 compared to only 7 percent in 1960. Thus, the demand for milkfat in fluid use continues to decline.

For the manufactured dairy products, per capita consumption of butter, evaporated and condensed products may continue to decline. On the other hand, cheese and dry milk products will likely increase with frozen products holding stable.

Overall, very recent trends indicate a relatively small decrease in per capita consumption of all dairy products is in store for 1969. But this is likely to be nearly or slightly more than offset by population increase.

Over the longer run, several factors threaten to reduce total consumption of milk in dairy products. Although filled and imitation dairy products presently displace only a comparatively small amount of dairy products, they are here to stay. They likely will enter more markets and gain wider consumer acceptance because of a considerable advantage that can be reflected in price.

The consumer concern with fat intake will persist and reduce the demand for milk fat. Thus, in total pounds of product consumption will decline less than consumption measured on a fat equivalent basis.

Some research recently completed at the University of Minnesota contained estimates of 1980 United States dairy consumption. The technique was to use relationships that held between 1947-67 and to make assumptions about income, prices, and other variables. This technique indicated that total dairy products consumption in 1980 will be about 10 percent less than today. Thus, in the absence of other changes, the long-run demand picture is not bright.

Foreign commercial demands for our dairy products are small. Further, they are not likely to expand over the next few years. The tremendous surpluses in EEC countries will preclude us from any entry into West European markets. In addition, New Zealand and Australia are effective competitors in international markets because of their low production costs. Thus, foreign aid and feeding programs are likely to remain as our main export "market." These uses have been supplied mainly from CCC supplies purchased under our price support program.

### Prices and Income

Prices paid for milk pushed to record highs again in 1968 and the first half of 1969. The United States average price for all milk was \$5.30 per hundredweight for the first half of 1969. In June 1969, the U.S. average manufacturing grade milk price was \$4.32 per hundredweight. With adjustment for butterfat test, this was about 14 cents above the support price level. Prices paid in fluid milk markets for the first half of 1969 averaged about \$6.71 per hundredweight for the United States.

Although milk production has fallen, both in the United States and Minnesota, total cash receipts from farm marketings of milk and cream have increased. Lower production has been more than offset by higher prices. In Minnesota, total cash receipts for 1968 were about 5 percent over the 1967 level and 23 percent above 1964, the year of record milk production.

Higher levels of milk prices and income are the prospect for the year ahead in Minnesota. Rather stable total demand for milk products, continued reduction in supply, and low levels of government stocks and purchases all point to a fairly strong upward pressure on price. Total receipts will be higher. However, net income will continue to be importantly affected by increases in production costs.

-- Jerome W. Hammond

## POULTRY

**AT A GLANCE:** An expected record chick hatch this fall will result in a substantial increase in the national laying flock by mid 1970. Egg prices to Minnesota producers should average 26-27 cents over the next 12 months. Demand for broilers will remain strong in 1970 although expanded production will likely bring about a moderate decline in prices by the end of the current calendar year. There should still be good profit margins for the efficient producer. Turkey prices will average about one half cent below 1968 levels this fall with a further weakening into 1970 as expansion in production is felt in market supplies. Nonetheless, the outlook is for another black-ink year for the good grower.

### Eggs

Egg prices during the coming 12 months should average about 34-36 cents in the national market. Prices to Minnesota producers will average around 26-27 cents. Breaking egg prices during the past three quarters have been substantially above year earlier levels and are expected to move upward only slightly throughout the remainder of the year. Prices should hold at these levels well into the first three months of 1970 before seasonal adjustments set in. Throughout the remainder of 1970 prices are expected to be slightly below those of 1969 but well above the 1968 levels.

Additions to the national laying flock since January have been above those of a year earlier; however, the current number of commercial layers is about equal to those at this time in 1968. End-of-year numbers are expected to be well above last December but still below those of the two previous seasons. On the other hand, the last half hatch of 1969 is forecast at record highs and will result in a new record for laying flock additions in the first half of 1970. About 5 million additional birds are expected in production by next June relative to the past summer with the supply of eggs showing the associated moderate increase.

On the demand side, utilization rates will not likely change greatly during the next 12 months over that just experienced. This is particularly true of military and export demands. It appears that egg product users are operating pretty much on a hand-to-mouth basis in expectation of a sharp decline in fall prices. This is not likely to occur and the net effect could be a plus factor in the overall demand-supply relationship next year.

### Broilers

The demand for broilers has been exceptionally strong during the past 9 months. It is expected to hold up throughout the last quarter of 1969. If the economy slows a bit there may be some weakening but this will probably have its greatest effect on the consumption of red meat. Supplies, meanwhile, have continued a steady increase; 1969 production is expected to exceed 2.7 billion birds (more than 13 pounds per capita). Marketings, to date (1969) are 7 percent ahead of last year. This margin is expected to hold for the remainder of this calendar year.

The number of broiler breeder hens will likely exceed year earlier levels by the end of 1969; the first time in 17 months. This expansion in breeder flock base is in response to the high net returns being generated and will undoubtedly continue well into the coming year.

Market prices have generally averaged above year earlier levels since November 1967. The last quarter may see a change in this pattern. The Poultry Survey Committee predicts a 24-25 cent, nine-city weighted price average this fall, which is about one cent under 1968 levels (4th quarter). This price represents average prices of ready to cook, ice pack broilers by truckload at 9 major markets. This decline will carry over into early 1970; however, unless there is a definite demand weakening, prices will remain high enough to encourage continued expansion over the next several months.

### Turkeys

The 1969 turkey crop will approximate 106 million birds, down very slightly from 1968. However, heavier weights may put total tonage above last year's level. While record purchases by USDA brought on a small decline in storage stocks during the first half of 1969, heavy slaughter during this period resulted in only a slight reduction in total supplies for the coming season.

Indications are that turkeys will have strong competition from both chicken and red meats during the latter part of 1969; however, a strong consumer demand may override this effect. The major strength will be for whole body birds -- both for home and institutional use, although demand for further-processed and cut-up turkey appears to have been rejuvenated. Military usage will be about the same as last year while exports may be down slightly.

Prices rose 3 to 5 cents per pound from January to June with summer prices about 3 cents above last year's level. U. S. farm price equivalent for September-December will likely average near 23-1/2 cents per pound for hens and 21-1/2 cents for toms. This will be about one half cent above the prices for this period in 1968. While there will be incentives to expand production in 1970, total slaughter is not expected to exceed 115 million birds. This will bring about some softening in prices but profit margins should still afford another black-ink year for most producers.

-- Lyndell W. Fitzgerald



## SHEEP AND LAMBS

**AT A GLANCE:** Price prospects for market lamb producers appear favorable for the remainder of 1969. Demand should remain strong with supplies reduced about 10 percent. Feeder lamb prices will likely average \$4.00 to \$5.00 per cwt. above prices paid a year earlier. Fed lamb prices during the first half of 1970 should remain strong but average moderately under the levels established a year earlier. Profit prospects for native sheep flocks appear good in 1970. However, due to higher feeder lamb prices, increased feedlot costs and expected lower slaughter prices, returns to lamb feeding will be lower than a year earlier, but still rank average.

### Native Ewe Flock Situation

On January 1, 1969, the number of sheep and lambs on U. S. farms and ranches totaled 21,111,000 head, down 1 million head from a year earlier. This declining trend has dated back to 1960. A further decline of from 3 to 5 percent is expected by January 1, 1970.

The 1969 lamb crop was estimated at 13.6 million head, a 6 percent reduction from a year earlier.

Commercial sheep and lamb slaughter during the first 7 months of 1969 was down 9 percent from a year earlier. This situation reflected both the reduced lamb crop and the reduced slaughter of ewes, which are apparently being held back for replacement purposes.

Lamb slaughter for the remaining months of 1969 is expected to continue below year earlier levels.

Choice slaughter lamb prices during the first 7 months of 1969 averaged about \$3.50 per cwt. higher than a year earlier. This strength is expected to continue through the fall months of 1969, putting choice lamb prices at South St. Paul in a range of from \$27.00 to \$29.00 per cwt.

Based on the decline in the 1969 lamb crop and the expected increase in holding back ewe lambs for flock replacement purposes, lamb slaughter in the first half of 1970 will be down from 1969 levels. This situation along with only a moderate decline in demand should be reflected in continued good lamb prices through the first half of 1970. The expected range on choice lambs in South St. Paul is from \$26.00 to \$28.00 per hundred weight.

Profit prospects look good for the well managed ewe flock in 1970.

### Lamb Feeding

Profits in lamb feeding operations in the 1968-69 feeding year were generally good to excellent. The major factor contributing to this factor was the higher slaughter price level during the first and second quarters of 1969.

Fewer lambs are expected to be placed on feed this fall than a year earlier. Movements of lambs into feedlots will be later than in 1968 due largely to good pasture conditions.

The demand for feeder lambs will be strong this fall in view of the favorable return experienced last year and the relatively favorable outlook for the 1969-70 feeding year. Choice feeder lamb prices on lambs laid into Minnesota feedlots will likely range between \$27 - \$29 per cwt. or about \$4.00 to \$5.00 per cwt. higher than a year earlier.

Production costs are expected to average about the same to slightly higher than in the 1968-69 feeding year. Profit prospects for the 1969-70 feeding year rank average but slightly lower than a year earlier.

-- Kenneth E. Egertson