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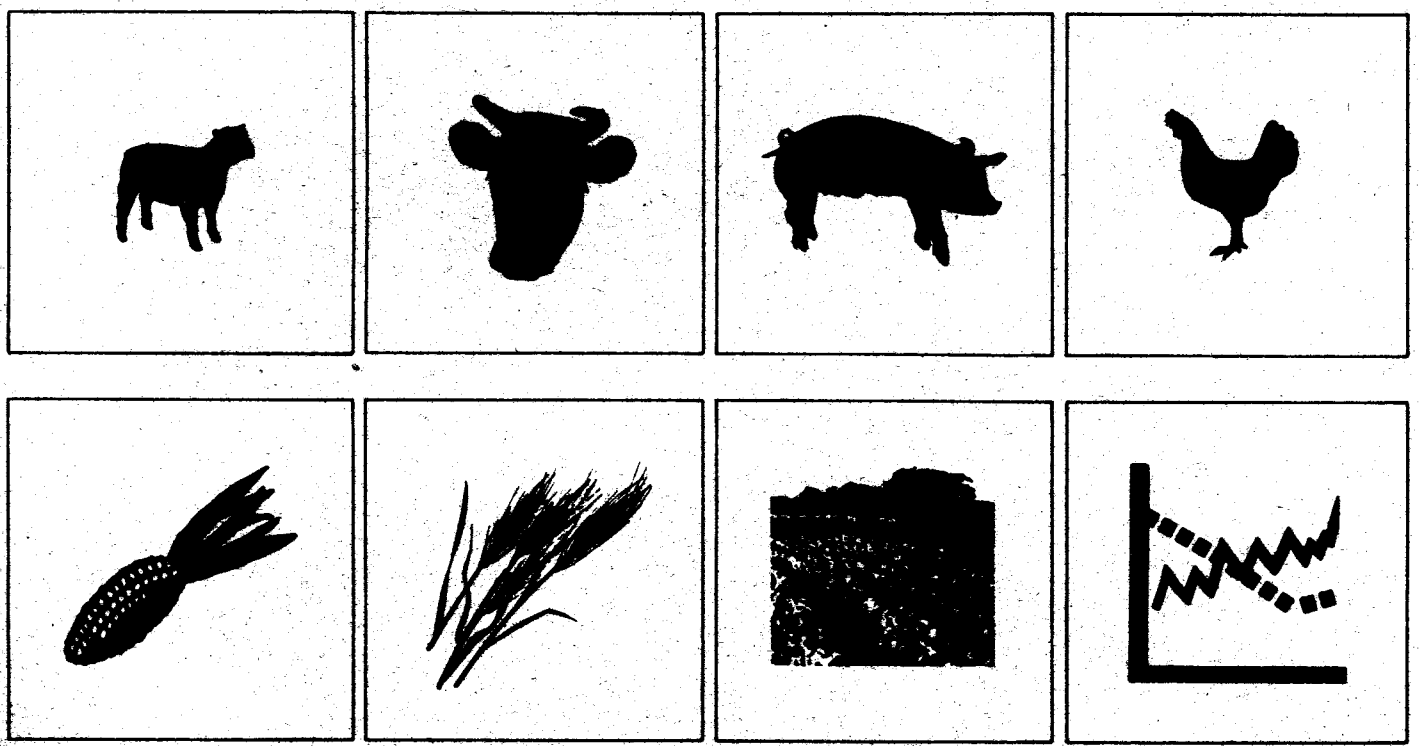
1976 AGRICULTURAL OUTLOOK



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FARM INCOME

Realized net farm income was 27.7 billion dollars in 1974--down from the record high of 29.5 billion in 1973. It now appears that the 1975 net farm income will be around 25 billion dollars--another decrease from 1974. However at 25 billion, 1975 would still be the third highest farm income year on record.

The per capita disposable income of farm people was higher than that of non-farm people in 1973. In 1975 it will be less than 90 percent of non-farm people, but will still be the third highest ratio on record.

Farm Income By Type Of Farm

Farm earnings will vary greatly among farm types in Minnesota as well as in the U.S. for 1975. In general, livestock producers will show somewhat better earnings than they did in 1974. By contrast, many Minnesota cash crop farmers--especially those in the drought areas--will have sharply lower incomes in 1975.

Farmers specializing in feeder calf production will have very low (negative?) earnings again in 1975. However, cattle feeders will show improvement over the severely depressed returns of 1974.

The hog enterprise will show record earnings; even greater than in 1973. The high hog prices of 1975, coupled with the relatively high prices for cash crops, should combine to offer many southern Minnesota hog producers a challenge in managing their income tax situations this fall.

Dairy producers may show somewhat lower net earnings in 1975 because of higher costs and lower meat and milk prices.

Many Minnesota specialized crop producers will have lower incomes in 1975 than in 1974. A major cause for the lower income will be the severe weather problems in several areas of the state. The spring floods in the Red River Valley and in areas of southeastern and south central Minnesota caused severe crop losses to many producers--then the dry weather of June and July caused severely depressed grain yields for other producers in southwestern and central Minnesota. Many farmers in these areas are not harvesting any corn for grain because dry and hot weather prevented adequate pollination and those farmers who had average to good yields this year will probably market their crop at somewhat lower prices.

Management Implications Of The Current Minnesota Agricultural Situation

Reduced crop yields, changing feed prices and uncertainty about future grain price

movements indicate a need for spending more time on certain management decisions in the coming year. These include:

Composition of livestock rations: With limited feed supplies, drought-damaged corn silage and changing price relationships, traditional ration formulations should be reconsidered. With the relative shortage of high-quality hay and the relatively large supply of drought-stressed corn, additional corn silage should be included in cattle rations this year. The feeding value of drought-stressed corn silage will about equal that of regular corn silage even though it contains almost no corn. Therefore with current high grain prices and high hay prices, as much corn silage as possible should be put up this fall.

Level of protein in rations: With protein prices expected to move lower relative to corn prices and if adjustments were made to a $175 plus per ton meal price earlier, it may be advantageous to utilize more soybean meal in livestock rations.

Timing of purchases and sales: Plan your yearly purchase and sale strategy well in advance. Plan to spread commodity sales over several different marketing periods to avoid selling all your product at the same time. Consider the income tax effects of when you buy and sell. Time your purchases to smooth out income tax liabilities.

Money management: Inflation rates and interest rates are expected to move up again in the year ahead. Inflation favors the debtor. Liquidity is easier to maintain with low debts. Keep these facts in mind when doing your financial planning.

Buying farm land: Land prices moved up 30 percent in Minnesota between March 1974 and March 1975. With grain prices expected to move downward as the crop year progresses, do not make long-range land purchase decisions based on current grain and hay prices.

Estate planning: With large increases in land and other asset values of all farms in the state and without a proper estate disposition plan, some inheritors of Minnesota farms may be forced to sell all or part of their farms to pay estate taxes when the present farm owner dies. Compute a current net worth statement, review your estate plans and make needed changes in light of your current estate disposition objectives.

Income tax management: Make early tax estimates on your 1975 income and shift expenses and sales as necessary to even out taxable income between years. Try to make more business decisions based on an analysis of after-tax income from different alternatives. If you had relatively high earnings, continue to use fast depreciation methods on newly purchased machinery.

AGRICULTURAL TRADE

AT A GLANCE: As of August 15, 1975, world grain production prospects were reduced by about 26 million tons from the estimate of a month earlier. This reduction has largely eliminated the possibility of any appreciable recovery of worldwide grain stocks for the 1975-76 season. U.S. exports of grains are projected at a high level for the year ahead. Even so, a relatively larger proportion of global stocks are likely to be concentrated in the U.S. compared to foreign countries by the end of 1975-76.

Review of 1974-75

U.S. agricultural exports totaled $21.6 billion for the year ended June 30, 1975. This was $289 million above the fiscal 1974 record. Bushel volume was down 15 percent. Higher prices resulted in the increased total value. The lower volume was caused by several factors: the reduced 1974 U.S. grain harvest, improved production in other areas of the world; the worldwide recession, reducing demand for higher resource using food; and generally unprofitable conditions in livestock industries in many industrialized countries.

Wheat: Wheat and wheat product exports were valued at $5.2 billion in fiscal 1975, compared to $4.7 billion the year before. Wheat volume--999 million bushels--was 10 percent below the year earlier, but unit value was $4.80 per bushel compared to $4.12 last year.

India was the largest market for U.S. wheat. Its imports were $657 million. Japan increased its purchases to $575 million. Iran and Turkey also expanded their imports of U.S. wheat.

Feedgrain: Feedgrain exports--at 34 million tons--was down 22 percent from the year earlier, but exports were valued at $4.26 billion, which was about the 1974 level. Export value was $139 per ton, compared to $106 in fiscal 1974.

Japan--a large market for U.S. agricultural exports--purchased $982 million worth of U.S. feedgrain in fiscal 1975. This was a decline of 15 percent from the year earlier level. The volume of feedgrains shipped to the European Economic Community was down 5 percent, but value increased by 23 percent.

Soybeans: Soybean shipments to all major markets except Spain and Canada declined in fiscal 1975. Export value of $3 billion was 9 percent below a year earlier. Soybean average value per bushel for the 405 million bushels exported was $7.29 during fiscal 1975, compared to $6.30 a year earlier.

Export Prospects For 1975-76

The crop prospects in the U.S. and the USSR have been well-publicized. Since July 15, the estimate of world production of wheat has been reduced by 5.7 million metric tons, and the estimate of world production of feedgrain has been reduced by 20 million metric tons. The August 15, 1975, estimate of total world grain production (excluding rice) was placed at 958.2 million metric tons. If this level is realized, it would be 4 percent above the estimated world production for 1974-75, but 2 percent below 1973-74.

Poor general economic conditions in most western industrialized countries have weakened the demand for imports. Rising unemployment in most western industrial countries is in prospect for the next 6 months. Even though the recession in the U.S. seems to be bottoming out, the economies in other developed countries seem to be lagging. The industrialized countries have reduced the deficits in their balances of payments by slowing down imports, increasing exports to oil-producing countries and by borrowing to replenish reserves. The less developed countries generally have not fared well. Their balances of payments positions and economic growth rates have deteriorated as a result of recession in the industrialized countries and because of high import prices for oil. Still, the commercial import market is "fairly" strong, and some attempts by foreign nations to rebuild low inventory levels may be expected.

The export market for U.S. wheat has been projected at 33.7 million metric tons for the 1975-76 year. This would be a record level of wheat exports and would amount to 1.9 million metric tons above the previous high of the 1972-73 period. For feedgrains, U.S. exports are projected to be 43.3 million metric tons for the 1975-76 year--6.9 million tons above the level of the past year and about 500,000 metric tons below the level of 1973-74. Projected U.S. carryover stocks are expected to increase from around 22.2 million tons at the end of 1974-75 to 35.9 million tons at the end of 1975-76. This ending level for the year ahead, which would include about 500 million bushels of wheat and about 670 million bushels of corn, would be the largest in 3 years.

Exports of U.S. soybeans are expected to reach about 410 million bushels--about 130 million bushels or nearly 25 percent below the record level of last season. Slower economic activity in Japan and Western Europe together with reduced livestock feeding and increased foreign competition account for the lower export expectations.

AGRICULTURAL INPUTS

AT A GLANCE: The "cost-price squeeze" gets tighter as indicated by prices received versus prices paid by farmers. Fertilizer supplies appear adequate at this time, but may tighten with favorable crop price prospects for 1976. Prices will generally continue upward for fertilizer. Fuel supplies are adequate, but prices will be up. Natural gas and LP supplies may get tight for grain drying. Farm machinery prices, too, will be expected to increase, but at a slower rate, and may show signs of leveling off in early 1976 on some types of equipment.

A phrase frequently heard in agricultural circles is "cost-price squeeze." This refers to the difference between the costs the farmer accrues in producing his products and the prices he receives for them. Traditionally, the increases in a farmer's costs have outpaced the increase in his per unit returns and have, in part, forced him to increase the size of his farming operation to maintain the same standard of living for himself and his family.

Table 1 provides an insight to what has been happening in agriculture. The index of prices received by farmers is a method of evaluating the aggregate of all farm product prices. This index number uses 1967 as its base year (1967 = 100). The index is 182 for June 15, 1975, which is the latest available figure for the index. Meanwhile, the index of prices paid by farmers has increased to 185 for June 15, 1975. The ratio of these two index numbers (prices received by farmers over the prices paid by farmers for commodities, services, interest, taxes and farm wage rates) is a measure of the relative profitability of agriculture in the United States. A ratio greater than 100 indicates prices received have risen more than prices paid. A ratio of less than 100 indicates prices paid are higher than prices received.

The ratio of prices received over prices paid by farmers stood at 99 in December 1974 and dropped another point to 98 in June 1975. Given this situation, it becomes extremely important that a farmer pays attention to the markets to maximize his returns from the efforts already put forth in the production of his products.

The figures show the important stake that farmers have in controlling inflation pressures in the economy to keep any gains made towards their well-being.

Fertilizer Outlook

Supply of fertilizer was generally adequate this spring. Fertilizer prices were up 10 to 15 percent this spring compared to last fall. High prices probably held the amount used about equal to 1974.

The price of nitrogen is the most difficult to predict because the availability and price of natural gas affects nitrogen-producing plants. United States nitrogen production will increase in mid-1976 to 21 million tons as two new domestic plants will begin production. This is a 20 percent gain in productive capacity in the last 2 years.

The production of P_2O_5 will be increased by about 25 percent by the end of 1975 and will provide an additional 1.9 million tons available for use during 1976.

Capacity to produce potash fertilizers in the United States is 3.4 million tons of K_2O per year--about 2 million tons below our needs. However, demand for potash increases, and we are looking to Canada for our imports. Increased tonnage may have to come from some other source if Canada doesn't increase its productive capacity.

Nitrogen and potash supplies may be tight, while phosphate will be adequate. Look for moderate price increases in nitrogen due to tight supplies and the increased cost of natural gas. Phosphorus supplies will be adequate, and prices may slacken as supplies and inventories become adequate in early 1976.

Fuel Supplies

Fuel supplies are adequate, and the overall fuel supply looks good for farmers. However, supplies of natural gas and LP may be tight this fall. Farmers with grain to dry should plan ahead and fuel up early.

Prices on fuel are up; diesel fuel price is 12 percent higher than a year ago. The outlook for fuel is a price increase. The extent of the increase will depend somewhat on the policy concerning decontrol of domestic oil. Fuel price increases of 15 to 20 percent appear likely by the end of the year.

Farm Machinery

It appears that the farm machinery supply is catching up with demand. Although demand for hay-making machinery and wheel tractors has slackened to some extent, a strong demand remains for combines to harvest the large grain crops.

1974 showed dramatic price increases for farm machinery, such as 24 percent on the wholesale price index and 35 percent for the prices paid index for farm machinery. Prices paid by farmers for agricultural equipment has continued to increase during 1975. Price increases in new machinery has caused similar price increases in the used machinery markets.

The outlook for farm machinery tends to be one of further increasing prices, at a slower rate. Look for a leveling off in early 1976. Prices for hay-making machinery should level off early with the buildup of inventories and decrease in demand. Inventories of wheel tractors have been built up to reflect a leveling off in early 1976. However, with a strong demand for combines, inventories have not built back up to indicate price relief during 1976.

Table 1. Summary of Prices Received by Farmers and Prices Paid by Farmers with Reference to Some Specific Inputs and Commodities

	1967	Dec. 15 1973	Dec. 15 1974	June 15 1975
INDEX OF PRICES RECEIVED BY FARMERS 1967 = 100	100	185	177	182
Corn (bushel)	1.17	2.39	3.27	2.68
Wheat (bushel)	1.47	4.78	4.65	2.92
Beef Cattle (cwt.)	22.20	37.70	27.60	38.50
Milk All (1/2 gallon)	0.22	0.38	0.35	0.34
Turkey (pound)	0.20	0.40	0.31	0.32
INDEX OF PRICES PAID, INT., TAXES AND FARM WAGE RATES	100	153	179	185
Steak, Round (pound)	0.99	1.57	1.56	1.75
Milk (1/2 gallon)	0.55	0.80	0.85	0.84
Bread (1 pound)	0.23	0.34	0.39	0.38
Men's Overalls	4.48	8.06	11.40	11.50
Telephone Local Serv. (month)	5.15	6.45	7.16	NA 1/
2x4 Pine STD (1,000 bd. ft.)	135	267	220	236
Tractor 90 - 100 h.p.	NA 1/	11,800	15,100	16,100
Gasoline (gallon)	0.330	0.426	0.519	0.579 2/
Combine (med. self prop.)	8,580	17,000	23,500	27,300
RATIO (prices rec'd/prices paid)		121	99	98

1/ Not available
2/ July 15, 1975

Table 2. Fertilizers: Prices Paid by Farmers per Ton for Selected Commercial Fertilizers, United States, April 15, 1975, With Comparisons

Item	1973		1974		1975
	Apr. 15	Sept. 15	Apr. 15	Sept. 15	Apr. 15
	- - - - - - - - - - - - - - -		Dollars		- - - - - - - - - - - - - - -
Mixed fertilizers:					
0-20-20	69.70	71.80	108.00	129.00	140.00
5-10-10	59.80	61.50	89.50	106.00	114.00
10-10-10	68.20	70.80	103.00	123.00	134.00
18-46-0	109.00	119.00	181.00	228.00	263.00
Fertilizer material:					
Sulphate of Ammonia	55.20	59.50	110.00	137.00	148.00
Ammonium Nitrate	71.40	77.30	139.00	170.00	186.00
Anhydrous Ammonia	87.60	92.50	183.00	229.00	265.00
Urea	90.30	96.20	183.00	232.00	244.00
Superphosphate					
20% P_2O_5	53.70	56.00	91.40	104.00	118.00
46% P_2O_5	87.50	94.10	150.00	188.00	214.00
Muriate of Potash, 60% K_2O	61.50	63.60	81.30	91.00	102.00

Source: Agricultural Prices, Crop Reporting Board, Pr 1 (4-75), SRS, USDA, Wash., April 30, 1975.

FEEDGRAINS

AT A GLANCE: During the past year, the livestock industry made very drastic adjustments to the high feedgrain prices generated by short supply. For 1975-76, feedgrain supply is projected to be up 20 percent. It is unlikely that the livestock industry will readjust to increase consumption by that amount. Exports will likely be up by a moderate amount. Prices from harvest to spring are projected to average about 10 percent below last year. This would mean a November - July Minneapolis corn price average of $2.70 to $2.90 per bushel.

Feedgrain supplies during the past year were short due to the poor 1974 crop. Not only was quantity down, but quality was also low due to drouth and early frost on last year's corn crop. Short supplies led to much higher than average market prices. High-priced feedgrain contributed to poor livestock feeding margins. This sharply curtailed grain feeding to U.S. livestock; both livestock numbers and feeding rates were dramatically down in 1974-75. For 1975-76, present crop prospects indicate higher production than in 1974. Despite lower carryover, available feedgrain supply for 1975-76 will be 15 to 20 percent above last year. This supply is large enough to allow both increased domestic livestock feeding and more feedgrain exports.

Corn is the dominant feedgrain produced in Minnesota. It is also the major U.S. feedgrain and dominates market developments for oats, barley and grain sorghum. In 1975-76, it will comprise 80 percent of total feedgrain production. So this article will dwell primarily on corn, because of its relative importance.

CORN

1974-75 Review

The marketing year began with the lowest feedgrain supply in years (table 1). The 1974 corn crop was about 1 billion bushels under the record 1973 crop. Carryover was also down from 1973. Total supply for the market is estimated to have been 5,135 million bushels--20 percent less than the 1973-74 supply. Hence, corn use was cut back sharply. The most significant reduction was in domestic livestock feeding of corn. U.S. livestock feeders fed 3,250 million bushels in 1974-75--25 percent less than in 1973-74. Meanwhile, exports were down by a little more than 10 percent from the 1,243 million bushels exported in 1973-74. Food, seed and industrial use of corn was up slightly--to 450 million bushels.

Price behavior was a puzzle to many corn growers in 1974-75. Last fall, as the 1974 crop condition deteriorated, the market moved sharply higher. In early October, Minneapolis cash corn nudged $4 per bushel, and the Chicago July corn futures price peaked at $4.11 per bushel. At that point, government policymakers reacted to concerns about domestic feedgrain supplies by curtailing export movement. The price broke sharply in response to that action. By late February, the Minneapolis cash corn price had trended down to the $2.50 per bushel level. Acreage and total crop production expectations for 1975 were high. But corn growers held tightly to their reduced supplies in the bin. Demand remained quite strong. Local cash markets were unusually high relative to futures market prices. Abundant transportation and handling capacity led cash buyers to bid very aggressively for the reduced supply. The Minnesota cash market showed some of its usual strength going into early summer. Minneapolis cash price fluctuated in the $2.75 to $3 per bushel range through May and June (table 2). By early August, western cornbelt drouth conditions had reduced 1975 crop estimates, export demand had picked up, and the cash market moved over $3 per bushel in Minneapolis.

During early 1974-75, the corn market was concentrating on the sharply reduced supply of feedgrains. Since the short supply was known, the major uncertainty was with reduction in corn use. Exports held up very well in the face of the higher prices, and export interest fueled the late August price rise.

But early season high corn prices discouraged many livestock and poultry feeders. They faced dismal feeding margins, and feed consumption dropped. Both feeding rates and numbers of livestock fed were down. For the feeding year, total number of livestock fed is estimated to be 10 percent under 1973-74. Corn consumption per animal unit dropped to about 46 bushels--a 15 percent reduction (table 3). Had the 1974 corn crop been of better quality, feeding rates may have dropped even more. The U.S. livestock industry made a drastic adjustment in reduced grain feeding in response to the new economics of high feedgrain prices.

1975-76 Prospects

A. Supply -

The early August USDA estimate of corn production is 5,850 million bushels. Some private estimates put it slightly below that figure. In many local areas, the 1975 corn crop is a known failure. In other areas, the crop has made excellent growth. But early frost could still cause havoc--as it did in 1974 (table 4 gives the various in-season and final crop estimates in the past few years). Corn acreage planted in 1975 is estimated to be 77.5 million. This is down slightly from 1974. Acreage for grain harvest is expected to be almost 67 million--up 3 percent from 1974. In early August, yield was expected to be about 87 million bushels per acre. This would be up 23 percent from 1974, although 4 percent below the 1973 crop yield.

Stocks of corn-on-hand going into the 1975-76 marketing year are very low. Carryin supply is now estimated to be about 335 million bushels. This is 30 percent below the

short 1974 stock carryin. At 1974-75 average rate of use, it is about a 3-week supply. This is probably about as low as it is physically possible for stocks to be.

Total corn supply for 1975-76 consists of carryin stocks, plus production, plus imports. The grain equivalent of corn products imported into the U.S. is projected to be about 1 million bushels. For 1975-76, the supply will likely be between 6 and 6.2 billion bushels. Good weather through harvest would push the supply toward the 6.2 billion bushel mark. Poor weather could drop supply below 6 billion bushels.

B. Demand -

In the face of an estimated 20 percent supply increase, the major issue facing the corn market is utilization. Clearly, use must increase significantly to prevent a burdensome supply situation.

Domestic livestock consume the bulk of the corn supply. Over the season, decisions of livestock feeders bear the greatest weight on the corn market. In recent years, livestock have accounted for about 7 out of every 10 bushels of corn used during the marketing season. It is unlikely that 1975-76 corn consumption will return to the pre-1974 level. But both numbers on feed and rates of grain feeding will likely increase.

Numbers of hog, poultry and cattle on feed were all down in 1974-75. Due to low fall 1975 farrowings, hog numbers will not likely be up during the 1975-76 feeding year--even if winter and spring farrowings increase (see hog section of this report). Poultry numbers are projected to increase. Cattle on feed may show a substantial increase in the year. A factor in cattle placements will be harvest prices of corn, but available feeder supplies appear abundant (see cattle section of this report). Dairy, sheep and other livestock feeding will likely not show significant change. In total, grain-consuming animal unit numbers are projected to be up 6 to 7 percent from 1974-75.

Rate of grain feeding to livestock is less predictable than livestock numbers for the marketing year. Encouraged by expected favorable feed-livestock price ratios, rate of feeding will likely be up from 1974-75. If feeding returned to approximately the 1971 level, the rate of feeding would be about 50 bushels of corn per animal unit. This would be 7 to 8 percent above the 1974-75 feeding rate, but 8 percent below the 1973-74 rate. Increased supplies of other feedgrains are also available. Thus, the 1975-76 rate of feeding is projected to be about 50 bushels per animal unit (table 3). The actual rate will depend chiefly on weights of cattle put into feedlots and slaughter weights going out. This, in turn, will depend on corn price through the season. Hog and poultry rates of feeding are less variable. The projected feeding rate multiplied by projected livestock numbers yields a projected 1975-76 corn feeding of 3,700 million bushels.

Exports are projected to be up to 1,400 million bushels during the coming year. USDA analysts predict they could go as high as 1,500 million bushels. This is due to several factors. World feedgrain stocks in midsummer were low. World crop production prospects generally deteriorated throughout the summer. Hence, import requirements of some countries increased, while export supplies of other countries declined. Final

1975-76 corn exports will dependon U.S. price levels and on feedgrain supplies available from southern hemishpere countries by spring 1976. And some of the best U.S. feedgrain customers have cut back livestock expansion programs--facing tightened economic circumstances, much like the U.S.

Food, industrial, seed and other uses of corn in the U.S. will be up slightly. This use category has trended up moderately each year.

If these projections develop, stocks of corn on hand at the end of the marketing year will be about 620 million bushels. This would be almost double the stocks going into this year and bigger than the quantity on hand going into the 1974 harvest. While this would be a comfortable quantity on hand for the market, it does not appear that it would be in any sense a burdensome "surplus."

C. Pricing The 1975 Corn Crop -

Corn prices are projected to average lower in 1975-76 than in 1974-75. Projections based primarily on livestock and feedgrain supply relationships have, in the past, been reliable indicators of November - July season average price. Given presently available information, the November -July Minneapolis corn price is expected to average 15 to 40 cents below 1974-75. During November - July 1974-75, the Minneapolis No. 2 yellow corn price averaged $3.06 per bushel. The 1975-76 November - July Minneapolis price would then average $2.70 to $2.90 per bushel. In most of Minnesota's corn growing area, country price will run 20 to 25 cents per bushel under Minneapolis price. If export impetus pushes corn prices quite high this fall, it could retard livestock expansion. Corn prices would then drop later in the year. Beyond July, 1976, new crop developments will tend to outweigh old crop supplies in shaping the corn market.

The value of seasonal price projections is to furnish a basing point for making pricing decisions. If market price is substantially above the projection, you want to watch for selling opportunities, price to trend downward over the coming months. If the market price is below the projection, you would expect price to trend upward over the coming months. In the near term, temporary market factors can push price sharply in one direction or the other.

Pricing decisions on the 1975 corn crop will be an important part of successful crop management. Those who have developed a balanced marketing strategy during the past few volatile years should find it easier to deal with the market.

Making good pricing decisions for your farm will continue to require effort. The following guidelines may help you make your decisions for the 1975 crop:

1. Plan a marketing strategy early in the year, preferably before harvest. This planning should include:

    a. Calculation of storage costs, including drying cost and shrink , risk of loss and damage, handling, commercial storage costs and interest on money tied up in the corn.

b. Comparing storage costs with expected seasonal price rises to assess the the returns to be made from storage (tables 5 and 6).
c. Planning the livestock feeding program and expected returns from selling corn through livestock.
d. Determining what kind of a grain market speculator you want to be and are prepared to be--both financially and psychologically.

2. Determine how much of your crop you want to price at any one time. In volatile markets, it is usually advantageous to average your price over a number of sales. This will also depend on your cash flow requirements and the risks you are willing to take.

3. Know your forward pricing in both futures and buyer contract as well as your cash market opportunities.

4. Carefully manage your drying and storage procedures. Overdrying will cause very costly shrink. Loss and damage in the bin is more expensive at high grain prices.

5. Search for different price bids and discount schedules. Remember, net price minus shipping cost determines your income.

6. Closely watch market developments, including grain market data as well as livestock numbers, slaughter weights and export movements.

OATS

1974-75 Review

Total oats supply for 1974-75 was 878 million bushels. This was 18 percent below a year earlier. Crop size and carryin stocks were down from 1973. About 85 percent of crop use was in domestic livestock feeding. Exports at 8 million bushels were only 14 percent of the level of a year earlier. Carryover stocks of oats on July 1, 1975, were 184 million bushels--less than three-fourths of a year earlier. Oats prices through the season were generally above a year earlier. Minneapolis oats price in October 1974 averaged $1.87 per bushel. It then trended downward with other feedgrains, but moved upward again in early summer.

1975-76 Prospects

Total 1975-76 oats supply will be about the same as a year earlier. Carryover was low, but crop size is estimated to be above 1974. On August 1, 1975, the USDA estimated the oats crop at 698 million bushels--12 percent above 1974. This will allow for a slight increase in oats consumption. Feed use and exports may both be up moderately. Carryover at the end of 1975-76 will likely not be significantly different from July 1 of 1975. It may be down slightly. Oats prices are projected to average $1.53 per bushel. This is

10 percent lower than during 1974-75 when the Minneapolis No. 2 heavy oats price averaged about $1.70 per bushel.

BARLEY

1974-75 Review

Barley supply for the 1974-75 marketing year was 25 percent below a year earlier. Carry-in and crop size were both low. As a result, market supplies were tight, particularly for malting quality barley. Nonfeed uses of barley accounted for more than half the 1974 crop. Exports were down, but stocks at the end of the marketing year were down to 75 million bushels--37 percent below a year ago. Tight supplies of quality barley led to substantial malting grade premiums throughout the year.

1975-76 Prospects

The 1975-76 marketing year will be offered a larger crop. The early August USDA barley crop estimate was 389 million bushels--up 26 percent from 1974. But low carryin stocks will mean a total supply only about 3 percent above a year earlier. Livestock feed use will be slightly below last year because more corn and other feedgrains are available. Food use and exports will both be up. This means carryover barley stocks will be slightly higher than carryin supplies. Due to larger total feedgrain supply, feed demand will not be as keen as last year. Extent of malting barley premium will, of course, depend on available malting quality supplies. Look for premiums to continue strong early in the year--at least until crop quality is known. Price for the season will likely average below last year's level.

Table 1. Feedgrains: Supplies, Distribution and Prices

Marketing Year 1/	Supply: Carryin	Supply: Production	Supply: Imports 2/	Supply: Total	Distribution: Domestic Use: Feed	Distribution: Domestic Use: Food Industry and Seed	Distribution: Domestic Use: Total Domestic	Distribution: Exports 2/	Distribution: Total Use	U.S. Farm Price
	Million Bushels									$/bu.
					CORN					
1972	1,126	5,573	1	6,700	4,310	423	4,733	1,258	5,991	1.57
1973	709	5,647	1	6,357	4,193	438	4,631	1,243	5,874	2.55
1974*	483	4,651	1	5,135	3,250	450	3,700	1,100	4,800	2.95
1975*	335	5,850	1	6,186	3,700	465	4,165	1,400	5,565	
1976*	621									
					GRAIN SORGHUM					
1972	142	809	-	951	660	6	666	212	878	1.37
1973	73	930	-	1,003	702	6	708	234	942	2.14
1974*	61	628	-	689	461	8	469	200	669	2.80
1975*	20	811	-	831	540	8	543	210	758	
1976*	73									
					OATS					
1972	541	692	3	1,236	711	93	804	22	826	.72
1973	410	667	0	1,077	666	98	764	58	822	1.18
1974*	255	621	2	878	608	93	701	15	716	1.50
1975*	162	698	2	862	612	95	707	25	732	
1976*	130									
					BARLEY					
1972	175	423	14	612	238	145	383	66	449	1.21
1973	163	422	9	594	237	150	387	88	475	2.13
1974*	119	308	20	447	191	156	347	45	392	2.72
1975*	55	389	15	459	185	160	345	50	395	
1976*	64									
					TOTAL FEEDGRAINS					
	Million Tons									
1972	48.4	199.9	.4	248.7	156.2	17.0	173.2	43.1	216.3	-
1973	32.4	205.0	.2	237.6	153.3	17.7	171.0	44.4	215.4	-
1974*	22.2	165.1	.5	187.8	117.5	18.1	135.6	37.5	173.1	
1975*	14.7	207.4	.5	222.6	137.5	18.6	156.1	44.0	200.1	
1976*	22.5									

1/ Beginning October 1 for corn and sorghum; July 1 for oats and barley
2/ Includes product equivalents
* 1974 preliminary; 1975 based on August Crop Report and prospective demand

Table 2. Monthly Average Minneapolis Corn Price*

Month	Marketing Year 1971/72	1972/73	1973/74	1974/75
	dollars per bushel			
October	1.07	1.24	2.28	3.63
November	1.06	1.23	2.34	3.46
December	1.15	1.39	2.47	3.35
January	1.13	1.42	2.68	3.08
February	1.13	1.28	2.92	2.88
March	1.15	1.37	2.82	2.79
April	1.19	1.46	2.60	2.86
May	1.21	1.77	2.55	2.81
June	1.18	2.16	2.77	2.83
July	1.21	2.25	3.19	2.87
August	1.20	2.61	3.40	3.15
September	1.26	2.29	3.43	-
Marketing Year Avg.	1.16	1.71	2.79	3.04(est.)

* Average of daily closing quotations, no. 2 yellow corn, Minneapolis

Table 3. Grain Consuming Animal Units (GCAU) and Feedgrains Fed

Year	GCAU (mil. units)	Feedgrains Fed (mil. tons)	Fed/GCAU tons	Corn Fed (mil. bu.)	Corn Fed/GCAU (bu.)
	history				
1971/72	80.1	149.0	1.86	3,978	49.7
1972/73	79.2	156.2	1.97	4,310	54.4
1973/74	78.3	153.5	1.96	4,193	53.6
1974/75	70.0	117.5	1.68	3,250	46.4
	projection				
1975/76	74.3	137.5	1.85	3,700	49.8

Table 4. USDA Projected and Final Corn Crop Report at Various Dates

Year	Projected				Final
	Aug. 1	Sept. 1	Oct. 1	Nov. 1	
	million bushels				
1975	5,850				
1974	4,966	4,995	4,718	4,621	4,651
1973	5,661	5,768	5,763	5,678	5,643
1972	4,948	5,124	5,266	5,400	5,573
1971	5,345	5,266	5,400	5,552	5,641

Table 5. Approximate Corn Storage Costs, November to July at $2.50/bu. Corn Price (Only variable costs are illustrated)

Item	Amount	
	on farm	in elevator
	cents per bushel	
Cumulative costs (from table 6)	16.2	25.9
Drying from 15 1/2% to 13% moisture for extended storage: 1/		
shrink	7.5	2/
fuel and power	1.0	
Extra handling	3 3/	
Insurance	0 3/	
Bin cost	5.9 4/	
Total cost [= market price rise necessary to break even on storage]	33.6 5/	25.9 5/

1/ With good storage management it is not necessary to dry down to 13 percent moisture, yet it is a common practice.

2/ Many country elevators will figure a pencil shrink and drying charge on corn going in to storage.

3/ Use your own estimate for your situation.

4/ Based on bin ownership cost of $ .057/yr., plus $ .002/yr. maintenance and repair. If you already own storage, you have this cost whether or not you store the corn; then it should not be considered a variable cost.

5/ Cost of drying to 15 1/2 percent, or the elevator moisture discount, is fixed regardless of whether you store the corn or sell at harvest.

Table 6. Cumulative Variable Costs of Storing Corn*

Price $/bu.	Place of Storage	Months in Storage 1	2	3	4	5	6	7	8	9
		cents per bushel								
2.00	Farm	3.5	5.1	6.6	8.2	9.8	11.3	12.9	14.5	16.1
	Elevator	3.3	6.7	10.0	13.4	16.4	20.1	23.5	26.9	30.3
2.50	Farm	4.5	6.3	8.3	10.2	12.2	14.2	16.2	18.1	20.2
	Elevator	3.7	7.3	11.0	14.7	18.4	22.2	25.9	29.6	33.4
3.00	Farm	5.3	7.6	9.9	12.3	14.6	17.0	19.4	21.8	24.2
	Elevator	4.0	8.0	12.0	16.1	20.1	24.2	28.3	32.4	36.5
3.50	Farm	6.2	8.9	11.6	14.3	17.1	19.8	22.7	25.4	28.3
	Elevator	4.3	8.7	13.0	17.4	21.8	26.2	30.7	35.1	39.6

* This table is based on an interest charge of 8 percent on money invested in stored grain, on an elevator storage charge of 2 cents/bu./month and on a loss and damage rate in farm storage of 1 percent, plus .5 percent/month. With good farm storage management this loss rate will be less. With poor management it will be greater. See table 6 in the Wheat Section for a lower loss rate.

SOYBEANS

AT A GLANCE: Total soybean supply will be about 20 percent above the 1974-75 supply. Both carryin stocks and crop size are up. Demand is not likely to clear the supply from the market except at lower oil and meal prices. Oil, meal and soybean prices will likely trend downward. The October - July season average Minneapolis price is projected to be in the $4.50 to $5 range.

1974-75 Review

Soybean supply for the market last year was 13 percent below 1973-74. Carryin stocks were up from 1972-73. But the 1974 crop was short because of unfavorable weather and reduced acreage. Consequently, soybean use had to be cut back. But, utilization was reduced more than supply, so carryover stocks are up at the end of 1974-75. Domestic soybean crush was off by 15 percent. Soybean processors operated at about two-thirds capacity. This is the lowest plant use rate in 20 years. Demand for both oil and meal waned; due in part to the sluggish U.S. economy. Farmers were very reluctant sellers of beans. And crushing margins (difference in value between a bushel of soybeans and oil plus meal from the bushel) were low. Spot crushing margins averaged 10 cents per bushel during the first 9 months of the marketing year--down from 78 cents per bushel the year before.

Soybean exports in 1974-75 were down by 24 percent. Both foreign oil and meal use was cut back. Major importers were facing tightening economic circumstances. Also, there were increased supplies of competing oils and meals from other countries. Among other developments, palm oil production increased in several places throughout the world, and Brazil continued to sharply increase soybean production. Soybean exports were at their lowest level in 6 years. By the end of 1974-75, total use was down 18 percent. Hence, carryover at the end of 1974-75 is estimated to be up to about 220 million bushels (table 1).

Soybean prices rose dramatically and abnormally early in the marketing year (table 2). Minneapolis soybean price peaked at $9.22 per bushel October 4, 1974. That evening, sanctions were placed on commodity exports due chiefly to the unexpectedly short grain crop. Price tumbled. But it returned to the $8.25 level by early November as farmers held tight to soybeans at harvest and buyers sought early season crush and export supplies. Price then plummeted to late February when it touched $4.88 per bushel. After this $3.37 per bushel decline in 5 months, it rose $1.42 per bushel during the following month. But by early June, soybeans had again dropped under $5 per bushel. Accompanying the general spurt in grain prices, it returned to over $6 per bushel by August.

It is difficult to formulate a rational economic explanation of this price behavior. Through most of this period, farmers held tightly to soybean supplies. Crushing margins remained quite low. Soybean meal demand was not strong. Meal prices were generally below year earlier levels. Occasionally, the vegetable oil market would spurt upward. This seemed to trigger soybean price advances from the demand side of the market. Throughout the year, it appeared that buyers found it necessary to raise their bids to obtain significant quantities of soybeans. Yet when they bid higher prices and obtained soybeans, the market for the products was not there to support the higher soybean price. Soybean price would subsequently drop as buyers left the market. Selling soybeans in this market, with few guideposts, was a difficult task.

1975-76 Prospects

A. Supply -

Carryin stocks will provide about a 220 million bushel initial supply to the 1975-76 soybean market. Stocks going into the year are 29 percent above a year ago and nearly 4 times as great as stocks carried into 1973-74. A larger-than-normal proportion of these stocks are on farms. On July 1, nearly half the stocks were held on farms. In 1973, about a fifth were on farms.

In early August, the USDA projected the soybean crop at 1,458 million bushels. The final crop size will undoubtedly be different from this estimate, but it will be large (table 4). Approximately 55 million acres were planted to soybeans in 1975. This was up 2 percent from last year. Yield was projected to be 27.2 bushels per acre. This would be up greatly from the 23.5 bushels per acre yield in 1974, but it would be below the 1971, 1972 and 1973 yields. Carryin stocks plus production would produce a total supply of 1,678 million bushels. This is 20 percent above last year's supply and almost double the supply of 10 years ago. It appears unlikely that the soybean market will develop anxiety over short supplies in 1975-76.

B. Demand -

Demand developments appear to be the key to the 1975-76 soybean market. Both oil and meal faced sluggish markets as last season developed. At current prices, oil and meal each account for about half the product value in a bushel of soybeans (table 3). In recent years, about half the crop has been used domestically, and about half the crop has been exported as soybeans or oil and meal. So to gauge demand, one needs to examine both domestic and foreign oil and meal markets.

Domestic demand for meal will likely be stronger than last year. Anticipated increases in livestock and poultry feeding should guarantee some increased use. More favorable price ratios between meal price and livestock and poultry prices may create greater consumption per animal unit. Meanwhile, supplies of other protein meals may be down. An 8-9 percent meal consumption increase seems likely. But this increase will take place only at meal prices lower than last year's price level.

Domestic demand for soybean oil will also likely be stronger in 1975-76. There has been a trend increase in soybean oil use in the past few years. This was interrupted by both high oil prices and a sluggish economy last year. Lower oil prices in 1975-76 should result in increased oil use. Supplies of other vegetable oils and animal fats may be up slightly. A 6-7 percent increase in soybean oil use is projected. However, this increase will likely take place only at somewhat lower prices.

Export demand for soybean meal may be stronger than last year. There appears to be a growth trend in the major markets for soybean meal. But there will not likely be large scale export growth, barring unexpected shortages of other world protein meals. Many importing countries are having economic problems. Growth in livestock feeding has been scaled down in some countries. At the same time, competing exporters have increases supplies. The size of the Brazilian crop continues to grow quite rapidly. Soybean exports from Brazil are expected to be two-thirds higher in 1975 than in 1974. Brazilian soybean exports have grown to one-third the volume of U.S. exports. Other protein meals are also available. Remember, 2 years ago, failure of Puruvian fishing caused a fishmeal shortage, sparking a soybean meal price run up. Conjecturing on the 1975-76 Peruvian fish crop is beyond present analytical capacity.

Export demand for soybean oil appears weak. Although there is a growth trend in vegetable oil demand, other supplies are coming to the market. Other countries' soybean, rapeseed, sunflower, coconut and palm oil crops all compete for the vegetable oil market. Animal fats and oils are also competitive. In fact, analysts project the world edible oil production increase to exceed the trend of the past few years. Hence, growth in export demand for soybean oil in the coming year is not likely.

On the whole, it is difficult to be optimistic about demand prospects for soybean oil and meal. In light of this, it is hard to find reasons for support of current meal and oil prices. Both are substantially lower than a year ago; yet, they are both higher than pre-1973 price levels and are likely to trend downward.

C. Pricing The 1975 Soybean Crop -

When writing the soybean outlook a year ago, the advice to sell at harvest appeared too obvious to be true. Reviewing the foregoing discussion of supply and use creates the same impression. Clearly, some unforeseen development will need to appear to support a market with prices at present levels (mid-August, 1975).

Soybean meal price seems likely to move down to the $100-$110 per ton area--as it did in late February 1975. Soybean oil price seems likely to move under 20 cents per pound (for 10 years before 1973, it averaged about 10 cents per pound). At these product prices, the per bushel value would be in the $4.03 to $4.71 range (table 3). Although crushing margins have been quite unstable during the gyrating market of the past couple years, 30 cents per bushel is a good longer term average. Substracting 30 cents per bushel for processing leaves a product price equivalent of $3.73 to $4.41 for soybeans. Analysis based on past relationships between soybean prices, supply and domestic and export market developments projects an October-July Minneapolis

price of $5.25 per bushel. This would be $1.10 below the 1974-75 October - July price. Applying a dose of judgment to the analysis leads to a projected October - July price of $4.50 to $5 per bushel. In a typical crop year, Minnesota soybean price peaks between late May and early July. In years with abundant crops and high late-summer prices, the market peaks early and drifts downward. Presently, it is not fruitful to make projections beyond early summer 1976. New crop and market developments beyond that point--now totally unforeseen--will shape market performance into summer 1976.

It is not easy to formulate useful pricing management guidelines in a market behaving as erratically as the soybean market. Yet, decisions must be made. The following suggestions may guide your pricing management for the 1975 crop:

1. Plan a marketing strategy early in the season. This planning should include:

    a. Calculation of the cost of storage--including interest, risk of loss and damage, handling and any commercial storage costs (table 5 and 6).
    b. Assessment of how much of a grain market speculator you want to be and can afford to be.
    c. Determination of how much of the crop you want to price at any one time--this will depend on your interests in averaging price in an uncertain market as well as your cash flow requirements.

2. Know your forward pricing opportunities through buyer contracts and futures markets as well as your cash market alternatives.

3. Look for differentials in net price and in contract terms between buyers. All buyer's terms are not the same.

4. Watch the oil and meal markets and the crushing margin. This can be a lead to soybean price changes in the near future.

5. Try to stay current on market prices and on market information. Both public and private sources are available to you.

Table 1. Soybeans: Supply and Utilization by Marketing Year*

	Average 1965/69	1972/73	1973/74	1974/75	Projected 1975/76
	million bushels				
Beginning stocks	130	72	60	171	220
Production	998	1,271	1,547	1,233	1,458
Total supply	1,128	1,343	1,607	1,404	1,678
Crushing	603	722	821	695	750
Exports	300	480	539	410	460
Seed, feed, etc.	55	81	76	79	80
Total use	958	1,283	1,436	1,184	1,290
Ending stocks	170	60	171	220	388

* Soybean marketing year: September 1 to August 30

Table 2. Monthly Average Minneapolis Soybean Price*

Month	Marketing Year 1972/73	1973/74	1974/75
	dollars per bushel		
September	3.32	8.20	7.55
October	3.21	5.82	8.34
November	3.46	5.46	7.47
December	3.91	5.80	7.25
January	4.26	5.92	6.30
February	5.54	6.06	5.68
March	6.07	5.96	5.52
April	6.25	5.43	5.77
May	8.76	5.39	5.20
June	10.10	5.38	5.10
July	6.37	6.88	5.51
August	8.87	7.63	6.07
Marketing Year Avg.	5.84	5.99	6.31

* Most Minnesota country prices are 20-25 cents/bu. under Minnespolis

Table 3. Soybean Prices Compared With Market Value of Oil and Meal*

	August 15, 1974	August 14, 1975	1975/76 Projected Average
Soybean oil price/lb.	44.65¢	29.15¢	15-20¢
Oil yield/bu.	11.01 lbs.	10.50 lbs.	11 lbs.
Oil value/bu.	$4.92	$3.06	$1.65-$2.10
Soybean meal price/ton	$147.00	$131.00	$100-$110
Meal yield/bu.	48.06 lbs.	47.31 lbs.	47.5 lbs.
Meal value/bu.	$3.53	$3.10	$2.38-$2.61
Value of oil and meal/bu.	$8.45	$6.16	$4.03-$4.71
Crushing margin	79¢	8¢	30¢

* Decatur spot price series

Table 4. USDA Soybean Crop Projections at Various Dates and Final Crop Size

Crop Year	Projection Date				Final Crop
	Aug. 1	Sept. 1	Oct. 1	Nov. 1	
	million bushels				
1975	1,458				
1974	1,314	1,316	1,262	1,244	1,233
1973	1,540	1,599	1,588	1,575	1,567
1972	1,270	1,286	1,317	1,351	1,271
1971	1,235	1,186	1,175	1,200	1,176

Table 5. Approximate Soybean Storage Cost, October to June, at $5.50/bu. Soybeans

Item	Amount	
	on farm	in elevator
	cents per bushel	
Cumulative costs (from table 6)	37.7	46.0
Extra handling	1/	-
Insurance	1/	-
Bin cost	5.9 2/	-
Total cost [= market price rise necessary to break even on storage]	43.6	46.0

1/ Use your own estimate for your situation

2/ Based on bin ownership cost of 5.7 cents/bu./yr., plus .2 cents/bu./yr. maintenance and repair. If you already own storage, you have this cost whether or not you store the soybeans; then it should not be considered a variable cost.

Table 6. Cumulative Variable Costs of Storing Soybeans*

Price	Place of Storage	Months in Storage								
		1	2	3	4	5	6	7	8	9
$/bu.		cents per bushel								
4.00	Farm	6.9	9.8	12.7	15.6	18.5	21.5	24.4	27.4	30.5
	Elevator	4.7	9.4	14.1	18.8	23.5	28.2	33.0	37.8	42.7
4.50	Farm	7.7	11.0	14.3	17.5	20.8	24.2	27.5	30.9	34.2
	Elevator	5.0	10.0	15.1	20.1	25.2	30.3	35.4	40.6	45.7
5.00	Farm	8.6	12.2	15.9	19.5	23.2	26.8	30.6	34.3	38.1
	Elevator	5.3	10.7	16.1	21.5	26.9	32.3	37.8	43.3	48.8
5.50	Farm	9.5	13.5	17.4	21.4	25.5	29.6	33.6	37.7	41.9
	Elevator	5.7	11.4	17.1	22.8	28.6	34.4	40.2	46.0	51.9

* This table is based on an interest charge of 8 percent on money invested in stored grain, on an elevator storage charge of 2 cents/bu./month and on a loss and damage rate in farm storage of 1 percent, plus .05 percent/month. With good farm storage management this loss rate will be less.

WHEAT

AT A GLANCE: Export developments again dominate action in the wheat market, as they have for the last 2 seasons. Price will likely continue strong during the first part of the marketing year, but may trend downward later, depending on world developments. Hard Spring wheat prices will be high relative to other wheat prices. Minneapolis wheat price will likely average lower than last year's $4.52, perhaps in the $3.75 to $4 range.

1974-75 Review

Minneapolis wheat price was in the $4.50 to $5* range during the harvest season last year. Following harvest, wheat price rose rapidly and peaked above $5.50 in late October. Government-imposed export restrictions precipitated a price decline which continued steadily into January. Price then trended irregularly downward into June. By early June wheat price had dropped $2 per bushel from the autumn peak. The market softened for several reasons. Early prospects were for an excellent grain crop in the U.S. Winter wheat acreage and yields showed prospects for an abundant crop. And export sales appeared to be waning. But by July, crop prospects dimmed somewhat. More importantly, new export sales lent strength to the market. Throughout most of the year, the Minneapolis wheat market bid substantial protein premium differentials. Supplies of the higher protein wheats were relatively short, and the market was looking and paying for protein content.

Total wheat supply available to the market was a little more than 2 billion bushels (table 1). Last year's large crop was added to a very small carryover, so total supply was less than in 1973-74. Domestic food use of all wheat was about unchanged. Feed use was about half the preceding year. Exports from 1973-74 supplies were off by about 10 percent. Carryover stocks available for this marketing year are up 30 percent from 1974--at 319 million bushels. Both Hard Spring and Durum supplies were short relative to other classes. The Hard Spring wheat supply was 30 percent below 1973-74 (table 2). Hence, both domestic use and exports were curtailed. At the end of the marketing year, carryover stocks, at 68 million bushels, were about unchanged from last year. Durum wheat supply was about 8 percent below 1973-74, although crop size was the same as in 1973. Total Durum use for 1974-75 was off only slightly. Hence carryover Durum wheat stocks were below a year ago--and much below the average of the past few years.

For the 1974-75 marketing year, Minneapolis wheat price averaged 5 cents above a year

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* Unless otherwise noted, all price references in this article are for No. 1 Dark Northern Spring wheat, 13 percent protein, at Minneapolis.

earlier--at $4.70 per bushel (table 3). In 1973-74, 15 percent protein wheat averaged a 16 cent per bushel premium over ordinary protein price. In 1974-75, the premium was 44 cents per bushel. Minneapolis Durum price averaged $6.76 per bushel. This was 32 cents per bushel lower than in 1973-74.

1975-76 Prospects

A. Supply -

In early August, the USDA estimated the total wheat crop to be 2,141 million bushels. This would be almost 20 percent above the 1974 crop. By early August, much of the U.S. wheat crop had been harvested. The final crop estimate is not likely to be substantially different from the August estimate. Winter wheat will comprise more than three-fourths of the total wheat crop. Yields are expected to be slightly above 1974 yield--although below the 1973 yield. Wheat acreage for harvest is 5 percent above last year. Although Spring wheat acreage is down, Winter wheat acreage planted last fall is up substantially. Hence, even if Spring wheat yield estimates are reduced, the total crop will undoubtedly be sharply higher than in 1973. Since carryin stocks are also up, total wheat supply will be over 20 percent above last year. Total supply is estimated to be 2,461 million bushels. This is about the supply which was available to the 1972-73 market.

Stocks of Hard Spring wheat on hand going into the marketing year are put at 68 million bushels--about the same as last year. But estimated crop production is up from 1974. In early August, the USDA projected the Hard Spring wheat crop to be 352 million bushels--21 percent above 1974. Acreage is down for 1975, but yield is expected to be up from last year's low yield. Although supply would be 18 percent above last year, it would be under both the 1973-74 and 1972-73 supply.

Durum wheat supplies are also up. While carryin stocks are below last year, production is higher. Encouraged by last year's strong Durum market, farmers increased acreage for 1975. Acreage for harvest is up 13 percent--the largest acreage since 1930. Yield was also projected to be up from the relatively poor yield of 1974. If the crop materializes, total supply will be 146 million bushels. This would be 35 percent above the supply available for the 1974-75 market. Even if final yield is lower than August crop estimates, it appears that the Durum supply will be much above last year.

B. Demand -

Domestic food use of wheat accounted for about 30 percent of utilization last year. Over the years, it has shown a very slight trend increase; with larger supplies, it will likely be up slightly in the coming year. It is not likely that changes in domestic food demand will cause a significant dent in the supply.

While domestic food demand for wheat is important, it is not tightly linked to wheat prices. Data in table 1 show that domestic food use accounts for about one-fourth of

total disappearance. And wheat costs are not a significant part of the cost of most retail food items containing wheat. In July 1975, wheat cost averaged 3.6 cents out of the average 35.6 cents 1-pound loaf of bread (table 4). This meant that wheat cost accounted for about 10 percent of the retail price. For the 1974-75 marketing year, wheat cost averaged 13.75 percent of the retail bread price. The price index of all cereal and bakery products in June 1975 was 12 percent above a year earlier, and wheat price was 17 percent less. It is not likely that the wheat market price changes within the coming year will alter retail wheat product prices to significantly affect domestic food demand for wheat.

Feed use of wheat varies from year to year, depending on wheat crop quality and on wheat-feedgrain price relationships. This year, there is a large Winter wheat crop in areas which traditionally feed wheat. Low quality wheat is also said to exist in some areas. Hence, there will likely be some increased wheat feeding, at least before the new feedgrain crop is harvested.

Wheat exports last year accounted for 60 percent of the market. Export demand developments will continue to dominate the wheat market. With the USSR grain sale this summer, the 1975-76 export year is off to a strong start. After the first month of the marketing year, exports plus outstanding sales totaled almost 400 million bushels--about the same as last year. Wheat exports are expected to increase to about 1,200 million bushels. The increase from last year is largely due to USSR purchases. Total world wheat production is estimated to be 2 percent above last year, but below 1973-74. Analysts expect world trade requirements to be about 5 percent above last year, with the U.S. gaining a larger share of the world market.

Demand for Hard Spring wheat should continue strong. The chief use of Minnesota-grown Spring wheats is for domestic milling purposes. Low protein content of other wheat classes in the past 2 years has required more Hard Spring wheat for blending. This year's crop of other wheats is also reported to be low protein. Hence, the domestic milling demand for Hard Spring should continue strong. Export demand strength will depend chiefly on the quality of the Canadian wheat crop.

Durum demand has slacked off in the face of strong prices. Relatively lower prices for other wheats has encouraged substitution of other flours in products made from Durum. However, domestic consumption of Durum wheat products continues to climb. Reduction in use last year was necessary because of shorter supplies available. With increased supply available, both domestic use and exports will be up in 1975-76.

C. Pricing The 1975 Wheat Crop -

The foregoing demand discussion implied that high protein wheats would continue to command a substantial premium relative to other wheats. This means that wheat markets in Minnesota will be high relative to markets in other areas for other classes of U.S. wheat. It also means that substantial protein premiums will persist in the market. However, the Durum price differential will likely be lower in the coming marketing year. Basic price levels of each will depend on the overall tone of the U.S. wheat market.

Supply and use projections are similar to the 1973-74 marketing year. In that year, price averaged $2.17 per bushel. The 1975-76 wheat market is starting off with strong demand facing abundant supplies. Concentrating on export demand, traders have bid prices up since late June. Price of wheat at Minneapolis rose over 80 cents per bushel from late June to mid-August. The March 1976 futures contract moved into the $5 per bushel area. Price will likely stay above the early summer level. Moving into fall, prices may move upward. An expected large feedgrain crop may counter the influence of additional export business. Later in the season, U.S. wheat price strength will depend on wheat production elsewhere in the world. If early 1976 crops from other parts of the world are abundant, wheat price will move downward into spring, as it did last year. If 1976 crops are short, price will strengthen. Since supplies in 1975 were not adequate for stock rebuilding, 1976 world crop developments will dominate price later in the marketing year. Minneapolis wheat price in 1974-75 averaged $4.52 per bushel. In 1975-76 it is expected to average $3.75 to $4 per bushel.

The value of season average price projections is to furnish a basing point for making pricing decisions. If market price is substantially above the projection, look for selling opportunities, expecting the price to trend downward during the coming months. If market price is below the projection, expect price to trend upward during the coming months. In the near term, temporary market factors can push price sharply in one direction or the other.

The following guidelines may help thinking through decisions on selling the 1975 crop:

1. Plan a marketing strategy early in the season. Planning should include:

    a. Calculation of your storage cost per bushel, including interest, risk of loss and damage, elevator charges, etc. This will tell how much price rise you need in the market to cover costs (tables 5 and 6).
    b. Deciding how much of a wheat market speculator you want to be and can afford to be.
    c. Deciding how much wheat to price at any one time. You probably don't want to sell it all at once, depending on cash flow needs and the risk you are willing to take.

2. Know the quality of the wheat you have in storage. You may want to gather and submit a sample for grade. Then check for the best price of your wheat before you sell.

3. Manage wheat stored in your bin to avoid storage and quality losses.

4. Compare all your pricing opportunities including futures markets, contracts and cash sales.

Table 1. Supply and Utilization of All Wheat by Marketing Year*

	Average 1965-69	1972/73	1973/74	1974/75	Projected 1975/76
	million bushels				
Beginning stocks	626	863	438	247	319
Production	1,426	1,545	1,705	1,793	2,141
Imports	2	1	4	2	1
Total supply	2,054	2,409	2,147	2,042	2,461
Food use	515	528	528	525	525
Seed	66	67	83	87	85
Feed	128	190	140	72	140
Exports	705	1,186	1,149	1,040	1,200
Total use	1,414	1,971	1,900	1,723	1,950
Ending stocks	640	438	247	319	511

* Wheat marketing year: July 1 to June 30

Table 2. Supply and Utilization of Hard Spring and Durum Wheat by Marketing Year*

	Hard Spring			Durum		
	1973/74	1974/75	Projected 1975/76	1973/74	1974/75	Projected 1975/76
	million bushels					
Beginning stocks	173	66	68	37	28	21
Production	328	290	352	79	79	125
Imports	2	1	1			
Total supply	503	357	421	117	108	146
Domestic use	209	159	168	47	38	45
Exports	228	130	153	42	49	60
Total use	437	289	321	89	87	105
Ending stocks	66	68	100	28	21	41

* Wheat marketing year: July 1 to June 30

Table 3. Monthly Average Minneapolis Wheat Price*

Month	Marketing Year 1972/73	1973/74	1974/75
	dollars per bushel		
July	1.63	3.04	5.04
August	1.79	4.47	4.82
September	2.00	4.76	4.85
October	2.10	4.40	5.46
November	2.16	4.47	5.54
December	2.41	4.99	5.18
January	2.42	5.52	4.53
February	2.26	5.81	4.26
March	2.32	5.25	4.18
April	2.37	4.29	4.19
May	2.52	4.06	4.34
June	2.71	4.70	3.96
Marketing Year Avg.	2.22	4.65	4.70

* Monthly average price quotation for No. 1 Dark Northern Spring Wheat, 13% protein

Table 4. White Pan Bread: Retail Price, Marketing Spreads and Farm Value Per 1 lb. Loaf, Selected Periods, 1950-1975

Period	Retail Price	Retail Spread	Bakery Spread	Flour Spread	Other Spreads	Farm Value of Wheat
	cents					
1950	14.3	2.6	7.0	.6	1.7	2.4
1960	19.8	3.8	10.9	.8	2.0	2.3
1970	24.2	5.6	12.8	.5	2.7	2.6
1972	24.7	4.6	14.1	.6	2.5	2.9
1973	27.6	5.4	14.2	1.0	2.8	4.2
1974	34.5	5.8	17.5	1.0	4.6	5.5
1975 (June)	35.6	4.2	22.3	.6	4.9	3.6

Table 5. Approximate Wheat Storage Cost, September to June, at $4.00/bu. Wheat

Item	Amount	
	on farm	in elevator
	----------cents per bushel----------	
Cumulative costs (from table 6)	25.4	37.8
Extra handling	1/	-
Insurance	1/	-
Bin cost	5.9 2/	-
Total cost [= market price rise necessary to break even on storage]	31.3	37.8

1/ Use your own estimate for your situation

2/ Based on bin ownership cost of $.057/bu./yr., plus $.002/yr. maintenance and repair. If you already own storage, you have this cost whether or not you store the wheat; then it should not be considered a variable cost.

Table 6. Cumulative Variable Costs of Storing Wheat*

Price $/bu.	Place of Storage	Months in Storage								
		1	2	3	4	5	6	7	8	9
		----------cents per bushel----------								
3.00	Farm	3.7	5.8	8.0	10.2	12.4	14.6	16.9	19.1	21.4
	Elevator	4.0	8.0	12.0	16.1	20.1	24.2	28.3	32.4	36.5
3.50	Farm	4.2	6.8	9.3	11.9	14.4	17.0	19.7	22.3	24.9
	Elevator	4.3	8.7	13.0	17.4	21.8	26.2	30.7	35.1	39.6
4.00	Farm	4.9	7.8	10.7	13.6	16.5	19.5	22.4	25.4	28.5
	Elevator	4.7	9.4	14.1	18.8	23.5	28.2	33.0	37.8	42.7
4.50	Farm	5.5	8.7	12.0	15.3	18.6	21.9	25.2	28.7	32.0
	Elevator	5.0	10.0	15.1	20.1	25.2	30.3	35.4	40.6	45.7

* This table is based on an interest charge of 8 percent on money invested in stored grain, on an elevator storage charge of 2 cents/bu./month and on a loss and damage rate in farm storage of .5 percent, plus .05 percent/month. With good farm storage management this loss rate will be less.

BEEF

AT A GLANCE: Cattle feeders continued to suffer record losses until May 1975. Producers of feeder cattle also sustained record losses during the past year. In the coming year, cattle feeding may be quite profitable, but feeder cattle production will continue to operate with negative returns over cost.

Feeder cattle prices will be about the same as last fall. Feedgrain prices will be somewhat lower. Fed cattle prices will be somewhat higher during the coming year. Therefore, returns to cattle feeders will be above average, while returns to feeder producers will continue below production costs in the year ahead.

Review Of Past Year

Cattle feeders lost money on almost all cattle marketed out of feedlots during 1974. Fed cattle prices were high enough to cover all feedlot costs for only a few weeks in January and a couple weeks in August. Profits finally returned to the feeding sector in May 1975, and cattle sold during June, July and August showed positive returns up to and exceeding $100 per head. Most feeders bought last fall and in early 1975 need to be sold at about $40 per cwt. to cover all feedlot costs. Thus although current profit margins in cattle feeding are not as great as they were last summer, they are still above average and should remain so for most of the fall months.

Prices for fed cattle and feeder steers since January 1973 are shown in tables 1 and 2. Except for January, February and August, choice steers at South St. Paul stayed within $2 or $3 of the $40 level for most of 1974. Cattle prices dropped even more than we had anticipated in November and December because of the large slaughter of nonfed cattle and the widening marketing margins (higher profits taken by retailers).

Rather than the expected let-up in nonfed slaughter during the first quarter of 1975, cow and nonfed slaughter maintained their high level. This resulted in a further reduction of choice steer prices down to the $34 level in February. Last fall, we had anticipated a drop in marketings of both fed cattle and nonfed cattle in the second quarter of 1975. Cattle marketings did drop off sharply--fed cattle slaughter dropped to the lowest level in 8 years, but nonfed cattle slaughter remained surprisingly high, with cow slaughter levels approaching double the year earlier slaughter rates. Consequently, choice steer prices averaged even higher than the $45 we projected in our outlook 1 year ago. On the other hand, prices on slaughter cattle grading good or less were lower than we expected. Therefore, the typical feedlot operator selling 60 to 70 percent choice and the remainder good would have realized a $45 average for cattle sold evenly over the second quarter--the price we projected for choice cattle last fall.

Choice cattle prices have dropped off sharply from the mid-50's peak reached in June. The margin between choice and lower grade cattle remained exceptionally high during the summer months; thus, returns to the typical cattle feeder who sells some cattle in the good grade have not been as rosy as depicted by the choice steer price series shown in table 1.

Table 2 shows that feeder cattle prices strengthened considerably during the summer months; however, the proportional increase was much less than for choice cattle.

In our outlook materials of 1 year ago, we pointed out that calves would have to be purchased for lower per hundredweight prices than yearlings because of high feed costs. The Kansas City price quotations shown in table 2 indicate such a change-over from normal relationships started last October. After that, every month except March 1975 shows a higher price per hundredweight on the choice yearlings than on the choice steer calves. As long as corn prices remain above $2.50, this relationship can be expected to continue in the year ahead.

Outlook For Late 1975

Fed cattle marketings are still running below year earlier levels. However by the end of this calendar year, marketings will about equal or slightly surpass the level of late 1974. Unless harvest grain prices come down sharply from current levels, both cow slaughter and the slaughter of steers and heifers directly off grass will increase to new highs this fall. Therefore, beef supplies per capita can be expected to reach new record levels during the fourth quarter of 1975. Per capita consumption for the year will reach 120 pounds.

Given expected supply changes similar to those of last year, we are anticipating cattle prices to move as they did in 1974. Our price movement expectations are shown in tables 1 and 2. Choice steer prices could show some September strength before dropping to the low-40's in November. All beef prices could be moving up from November lows before the end of the year if grain prices decline. The price paid for good steers will remain $5 or more under choice steers because of the great difference in the numbers of highly fed cattle in contrast to lower grades of cattle going to market in the fourth quarter.

Feeder cattle price movements will depend as much upon changes in feed grain prices as on changes in fed cattle prices. If there is a significant downward movement in corn prices after harvest is completed, feeder cattle prices will be higher in December than in September and October. On the basis of this assumption, we are projecting an October low in feeder prices as shown in table 2. If grain prices weaken much from late August levels, feeder prices will be higher than we have indicated in table 2.

Outlook For 1976

For the past 2 years, we have been pessimistic about 1976 beef prices--especially for

the feeder cattle producer. We think that prices paid for feeders will remain below production costs in 1976. However, recent developments lead us to be more optimistic for fed cattle prices. This optimism for fed cattle prices stems from several sources; (1) fewer yearling cattle are on hand (as indicated by the July inventory) than earlier anticipated; (2) the recent increase in grain prices will tend to discourage expansion in cattle feeding and hog production; and (3) the turnaround in the economy should result in a stronger demand for beef in 1976.

Current estimates of the number of cattle on hand over 500 pounds indicate a half million fewer than there were a year ago at this time. And the July 1 cattle on feed report indicated that there were one and a half million fewer if we count only those now in feedlots. Therefore, potential slaughter of steers and heifers for the next 12 months cannot be much greater than it was in the past year. Also, if current high grain prices discourage placements in the fall while encouraging higher levels of nonfed slaughter, the first half of 1976 could see an actual reduction in steer and heifer slaughter compared to the previous year.

If potential cattle feeders expect to price their corn near the $3 mark, placements on feed will be discouraged this fall. Since at this writing it is possible to price this year's corn at that level, we must make this assumption. Projecting slaughter patterns and prices for next year, assuming a normal grain price pattern in which grain prices move downward from harvest time highs, more and more cattle will be placed on feed. However, the delay in placements caused by the early fall price peaks will probably result in a relative short supply of fed beef in the second quarter of 1976.

We are, therefore, projecting a 1976 supply and price pattern similar to the one we projected a year ago. Only this time we expect prices will be at a somewhat higher level. From the fall low of around $42 for choice steers we expect prices to move progressively higher through the first and second quarters of 1976. If the July 1 inventory numbers are correct and placements are delayed this fall because of high grain prices, we should see $50 cattle again in May and June 1976.

Where prices move after mid-year depends upon feedgrain price movements this fall and early winter as well as upon the weather next summer. A quick drop in corn prices in December and January could encourage placements and significantly increase fed cattle marketings in the third quarter of 1976. Also, the threat of dry weather in the range areas in 1976 could send a deluge of nonfed cattle to slaughter. The possibility of one or both of these occurrences are strong enough to suggest a planning price of less than $45 a hundredweight on choice beef for August or later of 1976.

We conclude that the outlook for cattle feeding is quite favorable presently, although many uncertainties are in the beef picture the coming year. These uncertainties have discounted feeder prices to the level that we think profit opportunities will be exceptionally good (see budgets).

Profit prospects appear exceptionally good for choice yearlings and better than average for choice calves bought in early fall. The budgets shown on the following pages indicate

that, even with $3 corn, returns from cattle feeding should be above average. However as indicated by the beef cow herd budget, the cow-calf operation will remain in the red during the coming year. Rather than selling calves at $30 or less, feeder producers will want to consider overwintering and selling next spring or early summer.

Management Implications

The price roller coaster will be with us for at least another year in cattle as well as in grain. Consequently, additional management time should be spent on management and marketing decisions. These important decisions include:

When to price your feed: Home-grown feeds will probably vary greatly in prices during the coming year. When figuring your cattle budgets, put a price on your feed that reflects the best price you think you will be able to get net at the farm during the coming months. Before doing this, carefully consider the grain outlook as presented in other sections of this report.

What ration mix will be best in the year ahead: Drought-stressed corn should be utilized as completely as possible as corn silage. The feeding value of drought-stressed corn silage is almost equal to that of regular corn silage. In contrast, if the crop is left and harvested as corn grain, the yield reduction will probably be much greater than it would be if harvested as silage--and higher corn silage rations are more economical in periods of high grain prices. However for yearling programs, don't go too heavy on forages so that marketings will not be delayed beyond the high cattle price months of May and June 1976.

How much protein to feed: Currently, protein is cheap relative to corn. However, heavier animals may well require less protein than you have been feeding in the past.

When to buy feeder cattle: For three reasons, cattle feeders will probably do best by buying in September or October this year: (1) feeder prices may well be at their lowest if grain prices start to move down after harvest; (2) feeders bought early can be ready for market during the May - June period of 1976; and (3) early-purchased feeders usually exhibit fewer health problems in the feedlot.

What to buy: Don't be married to the same type of cattle each year. Although there are some management differences in handling different types of cattle, there can be some high pay-offs in making changes. Heavier feeders may be better buys than lighter ones. Heifers may be relatively better buys than steers because there are so many of them, they need less time in the feedlot, and they will be ready for market earlier in 1976. Compare carefully cattle of different qualities in terms of: (1) what they will sell for in a wide margin market next year and (2) what their present purchase prices are. It may pay very high dividends to make several comparative budgets such as with our FBEEF computer program for cattle of different age, sex and quality (see your county agent or ag teacher).

When to sell calves: The cow-calf man should consider alternatives other than selling his calves this fall, such as: (1) carrying calves through the winter; (2) placing them in a custom feedlot; or (3) contracting with a friend or relative to feed the calves. If feedgrain and roughage prices do not go higher again in 1976, feeder cattle should be worth more next spring.

Table 1. Choice & Good Steer Prices at South St. Paul by Months for 1973, 1974 & 1975

Month	1973		1974		1975	
	Choice	Good	Choice	Good	Choice	Good
January	$40.26	$36.93	$46.91	$44.43	$35.97	$33.08
February	43.15	39.46	45.37	43.41	34.70	31.63
March	45.09	42.17	42.17	39.65	35.56	32.14
April	44.87	41.26	40.54	38.61	42.21	36.96
May	45.65	42.62	39.96	38.13	48.95	42.59
June	46.92	43.47	37.37	35.68	51.90*	45.60*
July	48.72	44.57	43.71	40.60	50.42*	42.58*
August	53.95	49.19	47.01	40.45	45.50**	38.75**
September	44.18	42.53	41.26	37.73	47.00	40.00
October	41.03	39.34	39.62	36.67	down to	down to
November	39.09	37.88	37.75	35.08	42.00	35.00
December	38.49	37.47	36.38	33.48	then up	then up
Average	$44.30	$41.40	$41.50	$38.65	$42.81***	$37.78***
Difference	2.90		2.85		5.03***	

* Estimated based on weekly averages
** Week ending August 17
*** Average of first seven months

Table 2. Feeder Cattle Price Per 100 Pounds, Kansas City

Month	Choice Feeder Steer (600-700#)			Choice Steer Calves (400-500#)		
	1973	1974	1975	1973	1974	1975
January	$47.33	$50.58	$26.45	$51.95	$54.66	$25.09
February	50.98	47.95	26.96	56.10	54.45	26.29
March	54.01	44.81	28.75	62.72	54.02	29.14
April	51.82	44.15	31.69	60.42	50.30	31.45
May	54.55	40.14	35.50	62.59	45.48	34.66
June	54.85	35.10	36.81	62.42	39.96	35.82
July	56.49	36.72	34.70	64.40	37.72	32.58
August	62.40	36.70	down	72.52	36.84	down
September	55.06	30.49	to	62.80	32.40	to
October	51.86	30.94	32.00	59.46	30.47	28.00
November	51.02	28.71	then up	56.42	27.31	then up
December	47.71	28.27	again	52.59	26.54	some
Average	$53.17	$37.88	$31.55*	$60.36	$40.84	$30.72*

* Average of first seven months

BEEF COW-CALF BUDGET AND RETURN TABLES

		HERD	PER COW
HERD SIZE AND PERFORMANCE:			
NUMBER OF COWS IN HERD		100	
NUMBER OF REPLACEMENT HEIFERS		17	
PERCENT CALF CROP		85	
PERCENT COWS CULLED ANNUALLY		15	
PERCENT DEATH LOSS		2.00	
VALUE PRODUCED:			
43 STEER CALVES	430 LBS @ $40.00	7310.00	
26 HEIFER CALVES	408 LBS @ $36.00	3750.00	
15 CULL COWS	1100 LBS @ $20.00	3300.00	
TOTAL SALES		14360.00	143.60
FEED REQUIREMENTS(HERD) AND COSTS:			
HAY	250.0 TONS @ $40.00	10000.00	100.00
PASTURE	500.0 COW MO.@ $ 3.00	1500.00	15.00
CORN	300.0 BU. @ $ 2.80	840.00	8.40
MINERAL	50.0 CWT @ $ 9.00	450.00	4.50
TOTAL FEED COST		12790.00	127.90
OPERATING COSTS:			
INTEREST ON ANIMAL DEBT(8.0%)		2800.00	28.00
BREEDING COSTS		1000.00	10.00
SELLING COST		369.00	3.69
OTHER OPERATING COSTS		1100.00	11.00
TOTAL OPERATING COSTS		5269.00	52.69
TOTAL FEED AND OPERATING COSTS		18059.00	180.59
BUDGETED RETURN TO LAB,FACILITY,EQUITY IN COWS		-3698.97	-36.99

RETURN TO HERD FOR LABOR, FACILITIES, AND COW EQUITY CAPITAL

STEER PRICE	PER CENT CALF CROP 75	80	85	90	95
30.00	-7629	-7046	-6463	-5880	-5297
35.00	-6446	-5763	-5080	-4398	-3715
40.00	-5263	-4481	-3698	-2915	-2133
45.00	-4080	-3198	-2315	-1433	-551
50.00	-2897	-1915	-933	48	1030

RETURN TO HERD FOR LABOR, FACILITIES, AND COW CAPITAL

WEANING WEIGHT	PER CENT CALF CROP 75	80	85	90	95
390	-6144	-5435	-4727	-4018	-3310
410	-5703	-4958	-4212	-3467	-2721
430	-5263	-4481	-3698	-2915	-2133
450	-4823	-4003	-3184	-2364	-1544
470	-4383	-3526	-2669	-1812	-955

BUDGET FOR STEER CALF OVER-WINTER CALVES

	HEAD	CWT GAIN
PERFORMANCE:		
PURCHASE WEIGHT, LBS	430.	
SELLING WEIGHT, LBS	650.	
TOTAL GAIN, LBS	220.	
AVERAGE DAILY GAIN, LBS	1.10	
DAYS ON FEED	200.	
VALUE PRODUCED:		
SALE VALUE AT $ 38.00 /CWT	$ 247.00	
PURCHASE COST AT $ 32.00 /CWT	137.60	
GROSS MARGIN	109.40	$ 49.73
FEED REQUIREMENTS AND COSTS:		
CORN 4.00 BU AT $ 2.70	10.80	4.91
HAY 1.30 TON AT $ 50.00	65.00	29.55
PROTSUP 0 CWT AT $ 8.00	0	0
MINERAL .20 CWT AT $ 9.00	1.80	.82
TOTAL FEED COST	77.60	35.27
OPERATING COSTS:		
INTEREST ON ANIMALS (8.5 PERCENT)	6.41	2.91
DEATH LOSS (1.5 PERCENT)	2.16	.98
SELLING AND BUYING COSTS	0	0
OTHER OPERATING COSTS	5.00	2.27
TOTAL OPERATING COSTS	13.57	6.17
TOTAL FEED & OPERATING COSTS	91.17	41.44
BUDGETED RETURN TO LABOR & FACILITIES	$ 18.23	8.29

RETURN PER HEAD FOR LABOR & FACILITIES WITH DIFFERENT PRICES

SELLING PRICE/CWT	WHEN PURCHASE COST PER CWT IS: 28.00	30.00	32.00	34.00	36.00
34.00	10.50	1.37	-7.77	-16.90	-26.04
36.00	23.50	14.37	5.23	-3.90	-13.04
38.00	36.50	27.37	18.23	9.10	-.04
40.00	49.50	40.37	31.23	22.10	12.96
42.00	62.50	53.37	44.23	35.10	25.96

BREAK EVEN SELLING PRICES THAT WILL COVER FEED, OPERATING, AND $15.00 RETURN FOR LABOR AND FACILITIES.

PURCHASE PRICE/CWT	WHEN CORN PRICE PER BU IS: 2.16	2.43	2.70	2.97	3.24
28.00	34.36	34.53	34.69	34.86	35.02
30.00	35.77	35.93	36.10	36.26	36.43
32.00	37.17	37.34	37.50	37.67	37.84
34.00	38.58	38.74	38.91	39.07	39.24
36.00	39.98	40.15	40.31	40.48	40.65

NOTE: TO COVER ONLY FEED AND OPERATING COSTS SUBTRACT $ 2.31

BUDGET FOR STEER CALF

	HEAD	CWT GAIN
PERFORMANCE:		
PURCHASE WEIGHT, LBS	430.	
SELLING WEIGHT, LBS	1080.	
TOTAL GAIN, LBS	650.	
AVERAGE DAILY GAIN, LBS	1.91	
DAYS ON FEED	340.	
VALUE PRODUCED:		
SALE VALUE AT $ 45.00 /CWT.....	$ 486.00	
PURCHASE COST AT $ 32.00 /CWT	137.60	
GROSS MARGIN	348.40	$ 53.60
FEED REQUIREMENTS AND COSTS:		
CORN 40.00 BU AT $ 2.60	104.00	16.00
SILAGE 5.00 TON AT $ 18.00	90.00	13.85
HAY .40 TON AT $ 60.00	24.00	3.69
PROTSUP 3.40 CWT AT $ 8.00	27.20	4.18
MINERAL .45 CWT AT $ 9.00	4.05	.62
TOTAL FEED COST	249.25	38.35
OPERATING COSTS:		
INTEREST ON ANIMALS (8.5 PERCENT)..	10.89	1.68
DEATH LOSS (1.5 PERCENT)	2.29	.35
SELLING AND BUYING COSTS	15.10	2.32
OTHER OPERATING COSTS	12.00	1.85
TOTAL OPERATING COSTS	40.29	6.20
TOTAL FEED & OPERATING COSTS	289.54	44.54
BUDGETED RETURN TO LABOR & FACILITIES..$	58.86	9.06

RETURN PER HEAD FOR LABOR & FACILITIES WITH DIFFERENT PRICES

SELLING	WHEN PURCHASE COST PER CWT IS:				
PRICE/CWT	28.00	30.00	32.00	34.00	36.00
41.00	34.50	25.08	15.66	6.24	-3.18
43.00	56.10	46.68	37.26	27.84	18.42
45.00	77.70	68.28	58.86	49.44	40.02
47.00	99.30	89.88	80.46	71.04	61.62
49.00	120.90	111.48	102.06	92.64	83.22

BREAK EVEN SELLING PRICES THAT WILL COVER FEED, OPERATING, AND $25.00 RETURN FOR LABOR AND FACILITIES.

PURCHASE	WHEN CORN PRICE PER BU IS:				
PRICE/CWT	2.08	2.34	2.60	2.86	3.12
28.00	36.53	38.21	39.89	41.57	43.25
30.00	37.40	39.08	40.76	42.44	44.12
32.00	38.27	39.95	41.63	43.31	44.99
34.00	39.14	40.82	42.51	44.19	45.87
36.00	40.02	41.70	43.38	45.06	46.74

NOTE: TO COVER ONLY FEED AND OPERATING COSTS SUBTRACT $ 2.31

BUDGET FOR STEER YEARLING

	HEAD	CWT GAIN
PERFORMANCE:		
PURCHASE WEIGHT, LBS	650.	
SELLING WEIGHT, LBS	1150.	
TOTAL GAIN, LBS	500.	
AVERAGE DAILY GAIN, LBS	2.17	
DAYS ON FEED	230.	
VALUE PRODUCED:		
SALE VALUE AT $ 48.00 /CWT	$ 552.00	
PURCHASE COST AT $ 35.00 /CWT	227.50	
GROSS MARGIN	324.50	$ 64.90
FEED REQUIREMENTS AND COSTS:		
CORN 40.00 BU AT $ 2.60	104.00	20.80
SILAGE 4.00 TON AT $ 18.00	72.00	14.40
HAY .30 TON AT $ 60.00	18.00	3.60
PROTSUP 2.30 CWT AT $ 8.00	18.40	3.68
MINERAL .33 CWT AT $ 9.00	2.97	.59
TOTAL FEED COST	215.37	43.07
OPERATING COSTS:		
INTEREST ON ANIMALS (8.5 PERCENT)	12.19	2.44
DEATH LOSS (.7 PERCENT)	1.72	.34
SELLING AND BUYING COSTS	17.50	3.50
OTHER OPERATING COSTS	10.00	2.00
TOTAL OPERATING COSTS	41.41	8.28
TOTAL FEED & OPERATING COSTS	256.78	51.36
BUDGETED RETURN TO LABOR & FACILITIES	$ 67.72	13.54

RETURN PER HEAD FOR LABOR & FACILITIES WITH DIFFERENT PRICES

SELLING PRICE/CWT	WHEN PURCHASE COST PER CWT IS: 31.00	33.00	35.00	37.00	39.00
44.00	49.31	35.51	21.72	7.93	-5.86
46.00	72.31	58.51	44.72	30.93	17.14
48.00	95.31	81.51	67.72	53.93	40.14
50.00	118.31	104.51	90.72	76.93	63.14
52.00	141.31	127.51	113.72	99.93	86.14

BREAK EVEN SELLING PRICES THAT WILL COVER FEED, OPERATING, AND $20.00 RETURN FOR LABOR AND FACILITIES.

PURCHASE PRICE/CWT	WHEN CORN PRICE PER BU IS: 2.08	2.34	2.60	2.86	3.12
31.00	38.56	40.01	41.45	42.90	44.34
33.00	39.76	41.21	42.65	44.09	45.54
35.00	40.96	42.41	43.85	45.29	46.74
37.00	42.16	43.61	45.05	46.49	47.94
39.00	43.36	44.81	46.25	47.69	49.14

NOTE: TO COVER ONLY FEED AND OPERATING COSTS SUBTRACT $ 1.74

HOGS

AT A GLANCE: Pig crop and hog inventory estimates project into strong hog prices for the remaining months of 1975. There is some uncertainty about the precise price and profit levels for 1976. However based on current hog producers' present plans to reduce 1975 fall farrowings, conditions appear very favorable for profits at least during first half of 1976. Expected increased farrowings this spring could begin to reduce returns later in 1976.

Review Of Recent Past

Returns from hog production have gone up sharply during summer 1975, standing at almost record highs in August 1975. These favorable returns came on the heels of negative to low profit returns through much of 1974 and early 1975--due chiefly to high feed costs. The improvement in profits in 1975 was because of increased hog prices.

Hog prices increased seasonally through 1975 and have averaged well above 1974 levels, peaking 20 cents per pound higher in July and early August than a year earlier (table 1). The comparative strength in 1975 hog prices was a result of both sharply higher retail pork prices and a reduced marketing margin. For example in the second quarter of this year, hog prices averaged almost 20 cents per pound higher than a year earlier. This increase resulted from a 5 cents (live equivalent basis) reduction in marketing margins and a 15 cents (live equivalent basis) increase in retail pork prices.

The jump in retail pork prices was largely in response to a sharp reduction in commercial pork production--which ranged from 10 percent less than a year earlier in the first quarter of 1975 to an expected 22 percent reduction in the fourth quarter.

The drop in the 1975 hog-pork marketing margin was typical of past trends. Margins are generally wide during high supply periods and narrow during short supply periods. A higher percentage of retail price is generally bid back to farmers by pork processors in periods of limited supplies, resulting in reduced marketing margins and relatively stronger live hog prices.

Per capita supplies of pork on a quarterly basis hit a 40 year low in 1975. Based on current estimates, 1975 per capita supplies of pork will drop to 55.3 pounds compared with 66.6 pounds in 1974.

Prospects For The Remainder Of 1975

Most price factors point to continued strong hog prices the remaining 4 months of 1975.

The bulk of the hogs and pigs headed for market during this time come from the December - May pig crop. The USDA estimated in the June Hogs and Pigs Report* that 22 percent fewer sows had farrowed during that period than did 1 year ago. Hog inventories June 1 also showed a corresponding 20 to 22 percent reduction in pigs in the weight groups which could be expected to go to market in late 1975. Sharp reductions in July and early August slaughter bear out that these farrowing and inventory estimates are quire accurate.

Pork supplies the last quarter of 1975 will be down 20 to 22 percent from a year ago and about the same as in the third quarter, putting per capita supplies at 13 pounds--a 40 year low.

The over 20 percent drop in pork supplies will be the dominant hog price factor in fall 1975 (table 2). However as the table indicates, not all of this supply drop will positively affect price, since demand for pork can also be expected to be down about 3 percent because of increased supplies of both poultry and beef. After adjusting for this demand decline, the remaining 17 percent drop in pork supplies can be expected to impact positively on prices this fall at the rate of about 2.2 percent increase in price for each 1 percent drop in the supply--17 percent x 2.2 equals a 37 percent increase from 1 year ago.

Slaughter hog price in the fourth quarter of 1974 averaged $39 per cwt. at seven major markets. If a 37 percent price increase is applied to that level, a $15 per cwt. increase would result for a fourth quarter average level of $53.50. However, we expect that general price inflation will keep hog prices a bit higher than this--in the mid to high 50's for most of the fourth quarter. At the same time, feeder pig prices in southern Minnesota should average in a range of from $43 to $47 per head.

Profit projects for the remaining months of 1975 look excellent for feeder pig and complete hog production units and above average for purchased feeder pig feeding units.

Supply And Demand Outlook For 1976

Though somewhat uncertain, pork supply levels in 1976 should be lower than a year ago until at least late in the year.

Hog marketings in the first half of 1976 will come largely from the June - November 1975 pig crop. In the June 1 Hogs and Pigs Report, hog producers indicated that they planned to reduce farrowings by 13 percent from a year earlier. The decrease in fall farrowings might not be this high in view of good second quarter profits.

If 1975 fall farrowings are reduced by 13 percent and hog producers hold a larger number of gilts back for 1976 expansion, first half 1976 pork supplies could be reduced by 13 to 15 percent from year earlier levels.

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* The September Hogs and Pigs Report will be released September 19, 1975.

First half 1976 demand could be down by 2 to 3 percent, again as a result of increased supplies of competing meat products.

Marketings in the last half of 1976 will be a direct result of breeding plans that hog producers are currently making for farrowings in first half of 1976. Hog production decisions will depend greatly on both hog and corn prices. If corn prices drop this fall and hog prices stay high, increased breedings for spring farrowings will occur. On the other hand, high corn prices this fall could cause more hog producers to decide to store corn rather than feed hogs.

We expect about a 5 percent increase in sow farrowings during the 1976 winter quarter (December - February). A further increase in farrowings of about 10 percent could be expected in the March - May quarter. If these estimates are accurate, slaughter and pork supplies would begin to run above year earlier levels by fourth quarter 1976, but still be relatively low compared to fall 1974 levels.

Demand conditions could improve for pork in the latter months of 1976. This assumes some slacking off of nonfed cattle slaughter compared with a year earlier and possibly some improvement in economic conditions.

Price And Profit Prospects For 1976

Hog prices will start from a high base in the low to mid-$50 per cwt. level in early 1976 and show a gradual declining trend through the year. However, no drastic break in hog prices appears likely (table 1). A relatively strong summer peak could develop again if winter farrowings remain low and fed beef supplies are again low in summer 1976.

Profit prospects on hogs farrowed in complete hog units and for feeder pig operations look extremely good through most of 1976. Assuming the predicted finished hog prices and a range in corn prices of from $2.50 to $3 per hundred, net returns for labor and facilities in a complete hog enterprise could average between $15 and $20 per cwt. through much of the first half of 1976, dropping to more average levels in late 1976.

At projected prices for corn and feeder pigs, feeder pig producers should also be able to expect net returns to labor and facilities on a per head basis of from $15 to $20 over at least the first half of 1976.

Profit prospects on finishing feeder pigs will depend on feeder pig price levels, corn prices and slaughter hog prices. Using projected feeder pig and finished hog prices with projected feed prices and typical resource requirements, our computer decision aid was used to indicate profit prospects on feeder pigs purchased in October at $43 per head and sold in February at $50 per cwt. The results shown in the computer printout following table 2 suggest above average opportunities to this enterprise in early 1976.

If you want to get on a mailing list to periodically receive a projected hog feeding budget, you should contact your county extension agent and ask for the FPIG computer decision aid mailing.

Longer Run

The longer term outlook for pork will show the typical price variability of the past. Past records indicate that a 3 to 4 year hog production cycle still exists. These variations in supply will continue to cause sharp gyrations in price, making short run planning difficult. However, longer run price averages should continue to be favorable for the well-managed hog operation. Per capita consumption could remain in the high 50's if corn prices remain high over the next 5 years and, thus, restrict hog production and pork supply.

Table 1. Quarterly Commercial Hog Marketings and Prices

Year	Quarter	Number Marketed	Slaughter Hogs 7 Markets Average Price	Feeder Pigs Southern Minn. Average Price
		million head	per cwt.	per head
1974	1	20.1	$38.40	$31.10
	2	21.0	28.00	23.03
	3	19.7	36.59	17.29
	4	20.9	39.06	20.65
1975	1	18.8	39.35	42.93
	2	17.8	46.11	38.92
	3	16.2	56.00*	42.00*
	4	16.3*	55.00*	44.00*
1976	1	16.3*	52-54*	38-42*
	2	16.7*	50-53*	35-40*
	3	17.0*	48-50*	38-40*
	4	18.0*	43-46*	32-34*

* Estimated figures

Table 2. Hog Price Forecast Model, Applied to Fourth Quarter 1975 Prediction

Demand Shifters	Expected % Change	x	Factor	=	% Change Price
Disposable income (real)	0		+.4		0
Population	+1		+1.0		+1.0
Beef supplies	+8		-.3		-2.4
Poultry supplies	+8		-.2		-1.6
Pork supply change needed to give same price (as fall 1974)					-3.0
Supply Change					
Pork supply change expected					-20.0
Difference to effect price					-17.0
x price effect -2.2					
Equals percent change in price					+37.0

FEEDER PIG BUDGET AND RETURN TABLES

	HEAD	CWT GAIN
PERFORMANCE:		
WEIGHT SOLD .....(2-16-76).....	235.	
WEIGHT PURCHASED (10-15-75).....	40.	
DAYS ON FEED	123.	
AVERAGE DAILY GAIN, LBS	1.58	
POUNDS FEED PER POUND OF GAIN ..	3.94	
VALUE PRODUCED:		
SALE VALUE AT $ 50.00 /CWT ..... $	117.50	
PURCHASE COST AT $ 43.00 /HEAD .	43.00	
DEATH LOSS (4.0%)	1.79	.92
VALUE PRODUCED	72.71	37.29
FEED REQUIREMENTS/HEAD AND COSTS:		
CORN 11.84 BU AT $ 2.70 ..	31.97	16.40
PROSUP40% 1.08 CWT AT $ 9.50 ..	10.29	5.28
(MIN,VIT,ANTIB INCL IN PROT SUP)		
TOTAL FEED COST	42.27	21.68
OPERATING COSTS:		
INTEREST ON ANIMALS (8.5%).....	1.29	.66
SELLING AND BUYING COSTS	3.41	1.75
OTHER OPERATING COSTS	4.00	2.05
TOTAL OPERATING COSTS	8.70	4.46
TOTAL FEED & OPERATING COSTS	50.97	26.14
RETURN FOR LABOR & FACILITIES	21.74	11.15

RETURN PER HEAD FOR LABOR & FACILITIES WITH DIFFERENT PRICES

SELLING	WHEN PURCHASE COST PERHEAD IS:				
PRICE/CWT	37.00	40.00	43.00	46.00	49.00
46.00	18.77	15.56	12.34	9.13	5.91
48.00	23.47	20.26	17.04	13.83	10.61
50.00	28.17	24.96	21.74	18.53	15.31
52.00	32.87	29.66	26.44	23.23	20.01
54.00	37.57	34.36	31.14	27.93	24.71

BREAK EVEN SELLING PRICES THAT WILL COVER FEED, OPERATING AND $ 8.00 PER HEAD FOR LABOR AND FACILITIES.

PURCHASE	WHEN CORN	PRICE PER BU IS:			
PRICE/HEAD	2.30	2.50	2.70	2.90	3.10
37.00	36.00	37.00	38.01	39.02	40.03
39.00	36.91	37.92	38.92	39.93	40.94
41.00	37.82	38.83	39.84	40.84	41.85
43.00	38.73	39.74	40.75	41.76	42.76
45.00	39.64	40.65	41.66	42.67	43.68
47.00	40.56	41.56	42.57	43.58	44.59
49.00	41.47	42.48	43.48	44.49	45.50

DAIRY

AT A GLANCE: Prices received by dairymen have strengthened over the past few months in response to improved butter and cheese prices. For the remainder of 1975, seasonally rising prices should be the pattern. If inflationary pressures persist, a substantial increase in the price support level next spring will dominate dairy price prospects.

In July this year, the Minnesota - Wisconsin manufacturing grade price reached $7.35 per pound of milk of 3.5 percent butterfat test. This was a recovery of $1.06 over the $6.29 level of June 1974 to which the price had tumbled after peaking at $8.15 in March 1974. A number of supply - demand factors accompanied the slow price recovery of the past year.

1. For the first time since November 1972, monthly U.S. milk production exceeded the year earlier output levels beginning in July 1974 and continuing through March 1975. Beginning in May 1975, milk production again fell below the level of a year earlier. Low slaughter cow prices which dampened incentives to cull herds and higher unemployment rates encouraged increased milk production by slowing, and for a time reversing, the long term decline in cow numbers. On the other hand, high feed prices as well as forage quality and availability problems early this spring dampened increases in milk production per cow.

2. Sales of dairy products generally have strengthened compared to a year ago. Fluid milk sales, which were lagging a year ago, have recovered much of the lost ground. Butter sales have been strong, while cheese and nonfat dry milk sales have lagged somewhat. However, cheese sales showed signs of recovery during the second quarter of this year. Retail prices in May for a number of dairy products were below the level of a year earlier, thereby encouraging increased consumption. This compared to an increase of 8 percent for all retail food items.

3. Commercial stocks of most products have been reduced to somewhat more normal levels compared to a year ago. Improved sales of butter and somewhat lower production levels of cheese, together with the increased government purchases, have combined to bring this about.

Manufacturers' stocks of nonfat dry milk are below the level of a year earlier. However, government stocks of nonfat dry milk have been building rapidly so that on June 1, 1975, government stocks were the largest for that date since 1963.

4. United States Department of Agriculture dairy purchases during the January - June 1975 period were equivalent to 2.3 billion pounds, compared to 0.6 billion during the

same period a year earlier. Early in January 1975, the price support level for manufacturing milk of national average test was raised to $7.24, compared to the previous level of $6.57. In April, the buying prices for butter and cheese were again raised to provide greater assurance that the price support objective of $7.24 would be reached.

Prospects For 1976

During 1976, dairymen are not likely to realize much improvement in the value of their cull cows. On the other hand, feed prices substantially below their peak in late 1974 and improved availability of feed, together with increasing milk prices during the remainder of 1975, should improve the milk-feed price relationship. We expect that, later this year or in early 1976, milk production will recover so that total milk output in 1976 is likely to increase over the level of 1975 (see table 1).

Increased production, but with smaller beginning inventories and with commercial disappearance at about 1975 levels, will likely result in somewhat lower levels of government removals during 1976. Most removals will likely occur during the first half of the year as milk production increases seasonally. August 1975 will likely register another increase in the Minnesota-Wisconsin price, bringing it to about $7.60. For the remainder of the year, further price increases are likely. This pattern could continue until price support announcement time in March 1976. However, this projection assumes increased cheese sales through the remainder of 1975. If this does not occur, the present level of cheese inventories may prove too large, depressing prices later in the year.

Unfortunately, inflation seems to have become a persistent feature of our economy. The impact of inflation on farm costs is well-known, but it also holds implications for dairy prices since prices paid by farmers are a part of the parity price calculation. If prices paid by farmers continue to increase at the pace of the past 3 years, the parity formula for milk could generate an 80 percent of parity price support level in April 1976--about $7.90 compared to the present $7.24. Thus, the price prospects for the remainder of the year are for seasonal increases, followed by a higher support price in 1976.

Table 1. U.S. Milk Supply and Disappearance, 1974, With Projections for 1975 and 1976

	1974 1/	1975 2/	1976 2/
	billion pounds		
Production	115.4	115.0	116.0
Less farm use	3.3	3.2	3.2
Marketings	112.1	111.8	112.8
Beginning commercial stocks	4.7	5.6	4.0
Imports	2.9	1.7	1.7
Total "supply"	119.7	119.1	118.5
Ending commercial stocks	5.6	4.0	4.0
Net government removals	1.3	2.4	1.8
Commercial disappearance	112.8	112.7	112.7
Total "disappearance"	119.7	119.1	118.5

1/ Dairy situation, July 1975.
2/ Estimates by the authors.

Table 2. Minnesota-Wisconsin Manufacturing Milk Price Series, 1973 - To Date

	1973	1974	1975
January	$5.43	$8.10	$6.80
February	5.45	8.14	6.85
March	5.55	8.15	6.86
April	5.63	7.73	6.94
May	5.66	6.93	7.02
June	5.73	6.31	7.11
July	5.78	6.29	7.35
August	6.38	6.39	
September	6.91	6.69	
October	7.49	6.82	
November	7.64	6.76	
December	7.94	6.41	

SHEEP AND LAMBS

AT A GLANCE: Price prospects for slaughter lambs look above average for the remainder of 1975. Feeder lamb prices will average well above fall 1974 levels. Fed lamb prices during the first half of 1976 should remain fairly strong. Profit prospects rank about good to fair.

Native Ewe Flock

The number of sheep and lambs on U.S. farms and ranches on January 1, 1975, totaled 14.5 million head--down almost 2 million head from a year earlier. This is a continuation of the downward trend which began in 1960 and which has continued at a rate of about 1 million head loss per year since then. A further decline can be expected as of January 1, 1976.

The 1975 lamb crop is estimated to be 9.9 million--a 6 percent decline from 1974.

Commercial sheep and lamb slaughter during the first 7 months of 1975 were down about 10 percent from the same period in 1974. Slaughter is expected to increase seasonally in August and September, but remain below year earlier levels through the fourth quarter of 1975 by 8 to 12 percent.

Fed lamb prices have increased from the lows of late 1974 to the second quarter peak of near $47 per cwt. This rise was largely attributed to reduced lamb slaughter and higher prices for competing meat products.

Fourth quarter lamb prices could strengthen some from the weaker tone expected in August and September, putting lamb prices back to the early August levels in the mid $40's per cwt. at major Minnesota markets. Prices through the first half of 1976 are likely to range in the mid to high $40's per cwt. level.

Wool prices showed some recovery from the sharp decline which occurred through much of 1973 and throughout 1974 when prices declined from near $1 per pound to 35 cents per pound in first quarter 1975. Summer wool prices were back to around 50 cents per pound. Wool prices are expected to range around 45 to 55 cents through much of the 1975-76 marketing year.

Profits to native flocks--which were very good in 1975--will be down some in 1976, but still rank about average for the well-managed ewe flock in 1976.

Lamb Feeding

Profits in lamb feeding in the 1974-75 feeding years were generally poor on lambs marketed in 1975 winter months, reflecting high production costs, strong feeder prices and relatively low lamb prices.

Feeder lamb supplies this year will be lower than a year earlier because of the cutback in the 1975 lamb crop.

On balance, demand for feeder lambs will probably be slightly increased from a year ago. Recent feeding returns should contribute to this strength.

Feeder lamb prices in mid August have averaged almost $10 per cwt. above year ago levels. Choice feeder lambs at midwest markets in mid August averaged between $35.50 and $37.75 per cwt. Relatively favorable slaughter lamb prices and reduced supplies of feeder lambs should provide continued strength in feeder lamb prices into the fall months.

Profit prospects for lamb feeding in the year ahead look better than in 1974-75, but still rank only fair.

POULTRY

AT A GLANCE: Summer 1975 hatchings, percent of molt and birds on hand indicate that egg production will likely increase to near 1974 levels by late fall. Consumer demand for eggs is weak. Egg prices are currently at break-even levels for many producers. Egg production in 1976 will be influenced by the 1975 feed crop harvest and price. Prices should range from 60 to 66 cents per dozen for large eggs--New York wholesale basis for the rest of the year. Winter prices should be above 60 cents; spring prices should be closer to 57 cents, with some recovery in summer 1976.

New York turkey prices should continue in the 60 cent range (8 - 16 pound hens) to the end of 1975. 1976 prices will be lower as lower feed prices and higher turkey prices trigger a supply expansion.

Expect a decline in costs of poultry feed ingredients in 1976. The industry is still adjusting to a new set of cost - price relationships. The new set of resulting relative prices for poultry production, as well as for red meats, requires careful and continued analysis into 1976. The demand effects of inflation and other influences on consumer behavior are influencing the demand for eggs and poultry products in ways which complicate outlook and price analysis.

Eggs

Prices: Late summer 1975 New York egg prices were 3 cents above a year earlier. The New York large egg price should average 60 to 66 cents for the rest of 1975. While the seasonally low period of May and June may drop into the high 50's, most 1976 months should see 60 cent plus egg prices.

Production: Birds on farms are 4 percent below 1974; the culling rate is also down 4 percent. The forced molting rate is over 15 percent; nearly twice last year's rate. Replacement hatch rate is up 5 percent over last year. It will likely continue above the 1975 rate through the first half of 1976. Expected lower feed prices may foretell an increase in the hatch and replacement rates beyond 5 percent.

Stocks: Cold storage stocks and frozen eggs supplies are minimal. They are not likely to become a major price-depressing factor until summer 1976.

Demand: Consumer demand for eggs seems to be declining once again after 10 years of relatively stable per capita consumption. If this trend continues, a decline in price effect

will result. Demand does not show consumer awareness of eggs as a relatively good buy in protein. It does show the rapidity with which consumers will substitute red meats for poultry products.

Breakeven: The break-even line appears to remain in the 61 to 66 cents range (New York large egg basis) for typical upper midwest producers in 1976, assuming feed costs of $2.50 per bushel and up for corn and with soybean meal dropping to $120 per ton. Higher prices will trigger expansion; lower will prompt contraction.

Implications: Profit potentials in 1976 may well be similar to 1975. Watch hatchery settings for signs of (over) expansion. Don't buy feed ahead.

Turkeys

Prices: Young hens (8 - 16 pounds) should average a fairly even 60 cents per pound in New York from August to December 1975. Year end stocks should be less than last year's at that price. Even so, first half 1976 prices should be in the 55 to 59 cents range because of lower seasonal demand.

Production: While up seasonally in late 1975, output is well below 1974--down 12 percent. The profit potentials appear sufficient--particularly with expected lower feed costs this fall and winter--to expect as much as a 20 percent greater hatch and production in 1976 than in 1975.

Implications: Do not buy feed ahead; plan next year's operation more in line with 1974 turkey prices than with current prices. Minimize the carryover of frozen birds.

AGRICULTURAL STATISTICS

The Crop Reporting Board of the Statistical Reporting Service (SRS) issues periodic reports of crop and livestock production and related topics. Reports and 1975 dates of release are listed in the calendar. For detailed contents of each report, write for "Crop Reporting Board Reports, 1975 Issuance Dates and Contents," available free. Order from SRS.

Reports are released from Washington, D.C., on the dates shown. Local segments of most reports are also issued on the same day at SRS field offices.

Ordering. Send requests for reports to:

Crop Reporting Board
Statistical Reporting Service
U.S. Department of Agriculture
Washington, D.C. 20250

1975 Calendar of Crop, Livestock, and Price Reports

(Released 3:00 p.m. ET unless noted.)	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Crop Production	10	11	11	9	9	10	10	11	11	10	10	10
Annual	16											
Crop Values	16											
Prospective Plantings	22		17									
Winter Wheat Seedings												22
Field Crops												
Field Crops - Production, Disp, and Value					12							
Potatoes and Sweetpotatoes								22				
Flowers and Foliage Plants			31									
Grain Stocks	24			24			24			24		
Hop Stocks			18						16			
Naval Stores	20	20	20	21	20	20	21	20	22	20	20	22
Annual					15							
Peanut Stocks and Processing	27	25	25	25	23	25	25	25	26	28	25	23
Seasonal Report									19			
Popcorn							11					
Potato Stocks	10	11	11	9								10
Rice Stocks	24			24				26		24		
Soybean Stocks									22			
Fruits and Nuts												
Apples								15				
Cherry Production						23						
Cherry Utilization										6		
Citrus Use and Value										1		
Cranberries (1:00 p.m.)								19				
Noncitrus Fruits, Nuts							11					
Annual	13											
Seed Crops												
Alfalfa										21		
Crimson Clover						19		5				
Field Seed Stocks								15				
Red Clover										9		
Tall Fescue							17	14				
Timothy								21				
Vegetable Seed Stocks			19					15				
Annual Summary	16				29							
Retail Prices				30				30				
Vegetables												
Celery	3	4	4	4	5	4	3	4	3	3	4	3
Onion Stocks	20											
Tomatoes, Released at Orlando Fla.[1]	Each Tuesday during planting and harvest seasons (usually Sept.-May)											
Vegetables - Fresh Market	9		7	8	8	9	9	8	10	9	7	
Annual												22

1975 Calendar of Crop, Livestock, and Price Reports—Continued

Released 3:00 p.m. ET unless noted.)	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Vegetables - Processing			28			27	9	8	10		14	
Annual												19
Cucumbers for Pickles, Stocks											15	
Dairy Products												
American Cheese Production Released at Madison, Wis.							Every Wednesday					
Creamery Butter Production - Released at Madison, Wis.[2]							Every Tuesday					
Dairy Products	30	28	31	30	30	30	31	29	30	31	28	31
Manufactured Dairy Products						20						
Milk Cow Numbers		11										
Milk Production	10	12	12	11	12	11	11	12	12	10	11	11
Milk Production, Disposition, and Income				21								
Livestock and Products												
Cattle		3					25					
Cattle on Feed	20	13	13	18	13	13	18	14	15	20	13	15
Annual	20											
Hogs and Pigs			21			23			19			22
Lamb Crop and Wool							18					
Livestock Slaughter	30	27	27	29	29	27	30	28	29	30	26	30
Annual 1974				29								
Meat Animals				11								
Mink					9							
Sheep and Goats	28											
Sheep and Lambs on Feed	16		14								14	
Wool and Mohair				3								
Poultry and Eggs												
Chickens, Eggs and Broilers				3								
Chicken Inventory	17											
Commercial Broilers			6									
Broiler Hatchery Report (Released in 21 States)[3]							Every Wednesday					
Eggs, Chickens and Turkeys	17	20	18	18	20	18	18	19	18	20	18	18
Egg Products	10	7	7	9	2	4	30	21	23	17	17	15
Hatchery Production Annual			18									
Layers and Egg Production Annual		20										
Poultry Slaughter	3,30		6	3	1,30		2	1	4	1,30		5
Turkeys	9		7					22				
Turkey Hatchery Report (Released in nine States)								Every Thursday				
Other Reports												
Agricultural Prices	31	28	31	30	30	30	31	29	30	31	28	31
Annual						June						
Prices Received by Farmers for Manufacturing Grade Milk in Minnesota and Wisconsin							31					
Cold Storage	17	19	19	17	19	18	17	19	19	17	19	18
Regional 1973			21									
Commercial Fertilizers	31	28	31	30	30	30	31	29	30	31	28	31
Total year ended 6/30/73					7	6						
Total year ended 6/30/74											3	
Honey									25			
Annual	15											
Farm Labor	14	28	31		28			25			28	
Farm Numbers and Land in Farms	4											30
Flowers and Foliage Plants			31									
Maple Sirup					20							
Mushrooms								20				

[1]To obtain copies contact Statistical Reporting Service, 1222 Woodward St., Orlando, Fla. 32803.
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