

Eastern wants milk prices tied to production costs

SYRACUSE, N.Y. - A program has been developed by Eastern Milk Producers, to upgrade the Northeast's faltering farm economy, according to John C. York, the cooperative's general manager.

Testifying before a Congressional Hearing held by Congressman Donald J. Mitchell at Herkimer Community College in Herkimer, N.Y. on September 23, York outlined problems depressing the income of dairy farmers in the Northeast and recommended ways of correcting them.

York was quoted as saying, "New York-New Jersey Federal Order blend prices fell below year earlier levels in each of the months of September 1974 through May of this year. These declines have ranged from a low of minus 16 cents in October 1974, to a high of minus \$1.05 in April of 1975. April's price was 12.1 percent below April of 1974.

While prices for the

balance of 1975 are expected to be above the same months for 1974, this is partly due to the fact that the 1974 prices themselves were unrealistically low. It is expected that the average price for 1975 will show only moderate improvement over 1974 unless further action is taken to raise prices.

While costs of dairy farming have been increasing for many years, they have been going up at an accelerated rate since mid-1972. The USDA Prices paid by Farmers index for July 1975 stands at 86 percent above 1967 levels. The July index was 10.7 percent above July 1974, which in turn was 15.1 percent above July 1973. These figures indicate, in order to keep pace with increases in costs, the July 1967 blend of \$4.99 should have increased 86 percent up to \$9.28 in July of this year. Dairy farmers in the New York-New Jersey market, however, received \$8.33 or 95 cents less than was

necessary to cover increased costs of production.

If the prices paid index continues to rise at its present rate, it will reach about 190 by October. Applying this index to the October 1967 New York-New Jersey blend of \$5.64 would yield a price of \$10.72. Instead, however, New York-New Jersey market dairy farmers can expect a blend price of only about \$9.56 in October, \$1.13 over last year, but still more than \$1.10 less than increases in costs since 1967.

Similar cost price relationships are evident in other Federal order markets in the Northeast. In general, prices in the northeastern markets for the first six months of 1975 have averaged 8½ percent below 1974, while costs have averaged 11½ percent higher."

The dairy leader urged re-introduction of an economic milk pricing formula which would relate the Class I

(bottled) price to the proportion of milk used for Class I purposes in a market and the wholesale price index for all commodities. This was the computing method used prior to the Minnesota-Wisconsin pricing series now in effect.

York added that Eastern had proposed a bill in Congress which would accomplish the above result and provides for use of such economic factors to reflect general economic conditions, consumers' ability to pay and producers' change in costs of production, as well as a supply-demand adjustment factor. He strongly urged the bill's enactment.

According to York, the current squeeze between prices paid and prices received is impoverishing dairy farmers, and causing many to abandon farming to the ultimate detriment of consumers of milk and dairy products.

York stressed that milk producers are large users of oil and oil products in their operations. In light of rapidly rising fuel costs, York proposed that milk producers be exempt from import fees of \$2.00 a barrel on crude oil and from base fees of \$.60 to \$.63 on finished product.

Unless dairymen can recover their inflated costs caused by higher oil prices, dairy farming in this part of the country would deteriorate to the point of no return, and consumer prices would zoom out-of-sight, observed York.

York said the milk support price, historically announced by the U.S. Secretary of Agriculture once a year at the end on March, should be recomputed at least twice a year. He charged that it is an injustice to hold prices producers receive at the same price for twelve months when, during the same period, prices of things producers buy rise dramatically.

This year's wheat export deals including the recent sales of ten million tons of grain to Russia could boomerang, causing skyrocketing feed costs to America's farmers, York noted. Eastern Milk Producers will continue its efforts in monitoring grain exports and urging Congress to keep vigil on adequate grain storage supplies.

Farmers cannot stand unrealistically high feed costs in the Northeast again this winter, concluded York.

President Ford calls for grain export stability

WASHINGTON — President Ford has taken notice that the Soviet Union's grain purchases have been highly erratic in recent years and their effect has therefore been a condition of uncertainty for the American farmer — and other segments of our economy.

In a statement released by the White House Press Secretary last week, the President cited the following table and made the remarks which follow it.

Years	Feed Grains (in millions of metric tons)	Wheat	Total
1971-72	2.8	0.0	2.8
1972-73	4.2	9.5	13.7
1973-74	3.4	2.7	6.1
1974-75	.8	1.0	1.8
1975-76 (to date)	5.8	4.4	10.2

The considerable variation in large bulk purchases by a single state trading company contrasts with the more steady purchases of these grains by such customers as commercial enterprises in Japan and Western Europe. Because these purchases are highly variable and uncertain, American farmers have not been able to count on this market in their planting intentions to the extent they have on other foreign purchasers. Moreover, highly volatile and unpredictable purchases emerging after the crop planting tend to contribute to price instability.

It would contribute materially to the interests of the American farmer, workers in the transportation industries and American consumers, as well as be in the interests of our customers abroad, if we could develop a longer-term and more certain purchase understanding with the Soviet Union, providing among other features for certain minimum purchases.

It will take some time to explore the possibilities of a long-term agreement. The country must have a new procedure for the sale of feed grains and wheat to such a large state purchaser as the Soviet Union. I am sending representatives to the Soviet Union at once. I am also establishing a Food Committee of the Economic Policy Board-National Security Council in my office to monitor these developments.

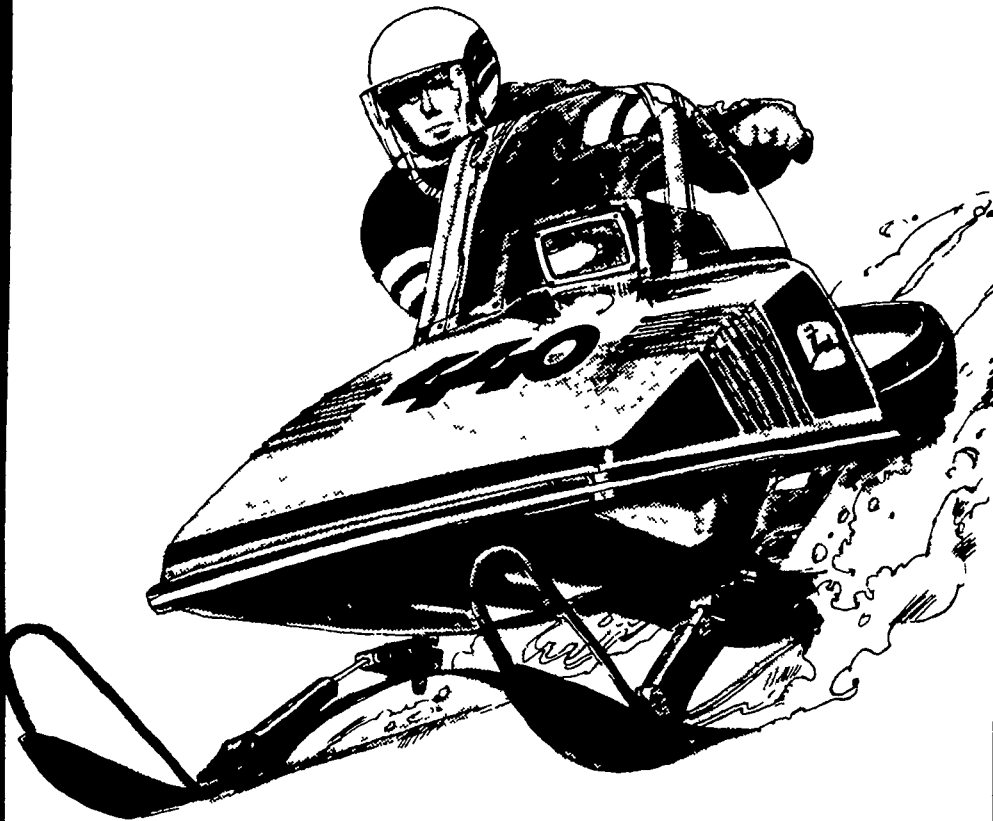
We have already sold a volume of wheat and feed grains which will take four to six months to ship at maximum rates of transportation operations. Accordingly, there is no immediate necessity to decide about further future sales at this time, and I am extending the present moratorium on sales to the Soviet Union until mid-October when additional information on world supplies and demands is available. This extended period should provide the opportunity to negotiate for a long-term agreement with the Soviet Union.

Under these circumstances, I am requesting the longshoremen to resume voluntarily the shipping of American grain while these discussions go forward, and the matter can be reassessed in the middle of October.

It will be necessary to complete the negotiations over shipping rates in order to make it possible for American ships to carry wheat and to assure that at least one-third of the tonnage is carried in American ships, as provided by the agreement with the Soviet Union which expires on December 31, 1975, which is also under renegotiation.

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