Fewer dairy farm failures

Local milk price should climb to $1.20 above 1979 average

ALLENTOWN — Dairy farmers in 1980 will see milk prices about $1.20 over 1979. However, farm milk prices will represent a smaller percentage of parity in 1980 than occurred in 1979, said John York, Vice President of LeHigh Valley Dairy Monday.

All milk price received by farmers was 79 percent of parity at the close of the year 1978, and 73 percent of parity at the year ending 1979. In 1980, all milk prices are likely to be 70 percent of parity.

The Federal Order Market Milk prices are forecast as follows for 1980:

	NEW ENGLAND Order 1	N.Y.-N.J. Order 2 201-210 mile zone	MID-ATLANTIC Order 4 F.O.B. Market	MID-ATLANTIC Order 4 Base
January	$12.12	$12.31	$12.88	$13.06
February	12.90	12.47	13.10	13.30
March	12.85	12.29	13.19	13.36
April	12.74	12.19	13.16	13.33
May	12.71	12.22	13.32	13.52
June	12.77	12.20	13.29	13.45
July	13.41	12.93	13.45	13.56
August	13.94	13.52	13.68	13.79
September	14.19	13.89	13.90	14.02
October	14.36	14.03	14.07	14.20
November	14.26	13.92	14.14	14.28
December	13.89	13.59	14.06	14.20
Average	$13.34	$12.96	$13.52	$13.67

The above milk prices are forecast by assuming the Minnesota-Wisconsin manufactured milk price will average $12.05 in 1980.

It is further anticipated that the Secretary of Agriculture will continue dairy support at 80 percent of parity, which is projected to be $11.95 on April 1st and $12.58 on October 1st compared to the present support price of $11.22 for 3.5 percent butterfat.

The average dairyman in 1980, under Federal Order 4 whose daily production is about 2000 pounds, could expect his gross income improved by about $8,700.

A dairyman in Federal Order 2 with 1550 pounds daily production could improve by $6,700.

Spiraling farm operating costs are certain to occur in 1980. Therefore, net income improvement largely depends on individual farm efficiencies, York said.

Currently, milk production nationally is 3 percent higher than a year ago.

The five heaviest milk production states — Wisconsin, California, New York, Pennsylvania and Minnesota — all show an increase in the trend of milk production with California 7 percent above a year ago.

It is anticipated that this trend will continue and may likely be in excess of 3% heavier milk production in 1980 over 1979. Government removals of storable dairy products are increasing, and at the end of 1979, available under the program, was 145 million pounds of butter, 20 million pounds of cheese, and 406 million pounds of non-fat dry milk.

The prospects for 1980 suggest substantial increases in Government removals of these storable dairy products.

Meanwhile, the anticipated increase in imports of cheese, occasioned by the passage of the 1979 Trade Act, will further expand Government removals, he said.

The most critical issue confronting dairy farmers in 1980 will be increased energy costs. They will cause higher costs of production, higher feed prices, higher fertilizer, and higher milk hauling rates.

Despite the semi-annual adjustment in support price to reflect the anticipated increases in the Index of Prices Paid by farmers, net farm income could narrow.

While milk production is likely to exceed the 1978-79 level by more than 3 percent, the per capita civilian consumption of dairy products will not change significantly in 1980 except for further increases in the consumption of cheese and further decreases in evaporated and condensed milk products.

Consequently, with per capita consumption of all dairy products about equal to 1979 and domestic supplies of milk up with additional imports of cheese, Government removals and holdings might double what they were in 1979, York said.

The Northeast is likely to see less movement of milk and dairy products into the Northeast from other parts of the country in 1980 and future years, as long as high energy costs impact heavy on transportation rates.

Meanwhile, the slowing down of the industrial sector of the Northeast economy is likely to encourage milk production since the alternatives to farming may be more limited in 1980.

The attrition rate of dairy farmers may continue to slow down in 1980. Amongst the three federally regulated markets in the Northeast, dairy farm numbers have not dropped as fast in 1979 as they did in 1978.

In 1978, the Mid-Atlantic market saw a reduction of 600 farmers from January through to the end of the year, while in 1979, 100 farmers; in the N.Y.-N.J. market a drop of 500 farmers from the beginning of 1978 through the end of the year, and 150 farmers from the beginning of 1979 through the end of the year. In the New England market, there was a drop of 325 farmers in the 1978 period, and 130 farmers in the 1979 period.

Meanwhile, production per day per dairy in these three markets have been increasing at the rate of about 100 pounds per day per dairy for each of the past three years.

It can be anticipated that further increase in the production of milk per dairy will occur in 1980.

In addition, two of the five highest milk production states in the nation, New York and Pennsylvania, are currently running between 3 percent and 4 percent above a year ago, with Vermont 6 percent above a year ago.

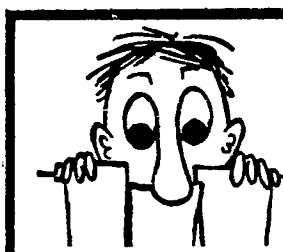
Northeast milk supplies will not be in as good balance with demand in 1980 as it was in 1979. Dislocation of market outlets for producers may very well be prevalent, particularly during the heavy Spring surplus period of the year.

While market prices in the Northeast will improve, the rate of improvement may not keep pace with inflationary costs, and the milk feed price ratio, while favorable, is not likely to be as good as it was in 1978-79.

The Order 4 market is likely to be the most favorable in 1980 of the Northeast federally regulated markets.

In addition, a producer in the federal order Mid-Atlantic market can improve his individual position by producing more base milk available to him in that market.

Market stability will depend upon the Cooperatives' ability to package milk and handle the excess in 1980, York predicted.



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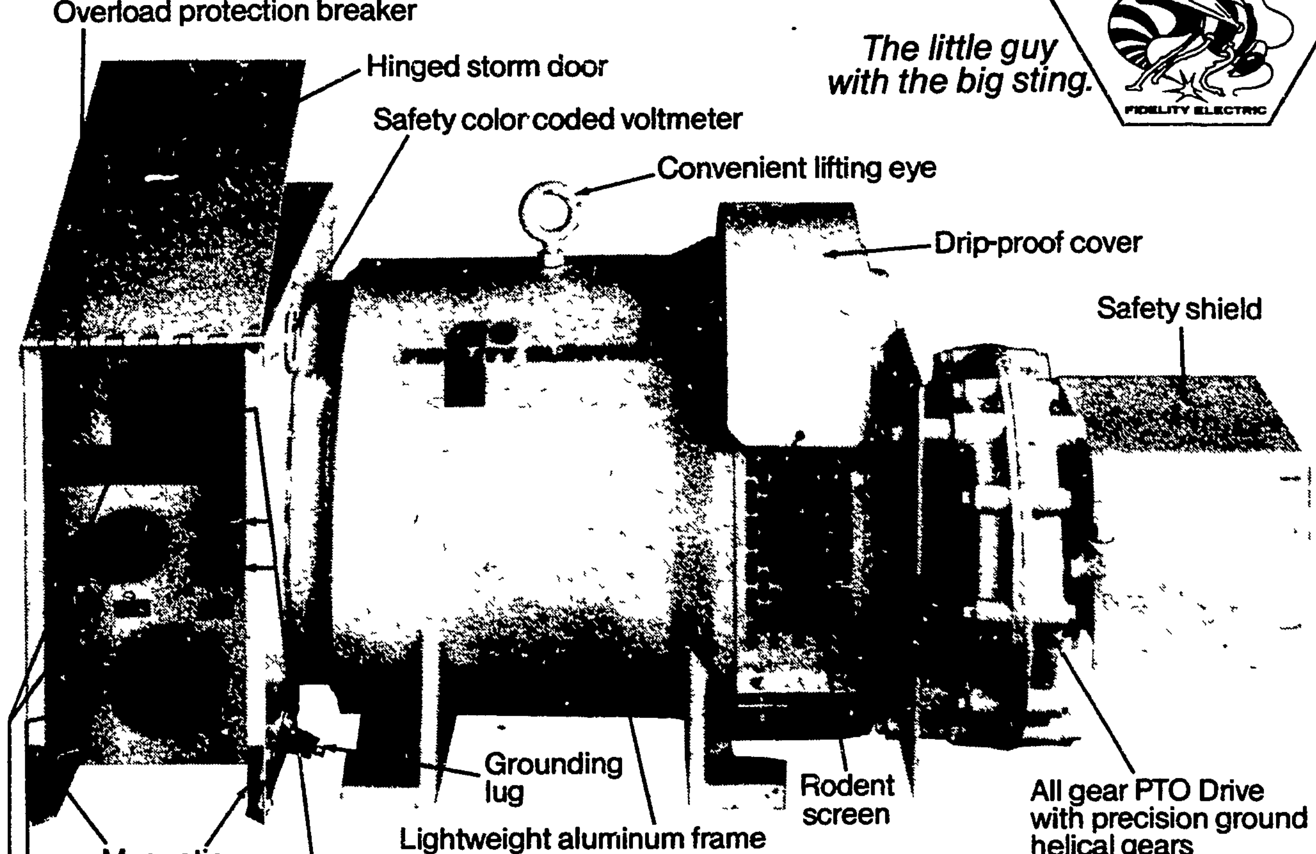

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