

Will producer costs figure in dairy supports?

BURLINGTON, Vt. — Will the costs of producing milk play a role in the determining of future government dairy price supports?

It would seem that way if feelers put out recently in a speech by a leading USDA economist are any indication.

Speaking before the Northeast Dairy Conference, Howard W. Hjort, the USDA's Director of Economics, Policy Analysis and Budget, called on dairy industry leaders to cooperate in any future development and testing of new dairy policy standards.

"We can all be certain that the cost of producing dairy products will be a factor of even greater importance in dairy price support policy in the future," he said.

"Producers and consumers are both better off if supports generally track producers' costs of production and if the market

signals for production adjustments can be clearly understood."

A cost of production index provides a much earlier warning of changing economic circumstances and a good cost of production estimate would be much more reliable as an indicator of corrections that must be made, he explained.

Hjort cited recent circumstances in which price supports have been rising faster than the per unit cost of milk production.

He estimated that it will cost the average dairyman between \$11.24 and \$11.50 to produce each hundredweight of milk in 1980.

The support price was boosted to \$12.36 on April 1 and is scheduled to rise to somewhere between \$13.00 and \$13.25 on October 1.

"By most economic measures, dairy farmers are making money and have very strong economic in-

centives to produce milk," he said.

"In response to these incentives, production is increasing rapidly, much more rapidly than commercial use."

The USDA economist said the cost of the dairy support program will be at least \$800 million, and very likely even larger this year.

"To be blunt," he said, "the program is in trouble."

"It is providing producers with strong economic signals to increase production at a time when milk and milk products are in surplus supply. It is inflexibly increasing support levels and consumers' costs at a time when retail prices are already high and food price inflation a matter of serious national concern. And, it is providing producers increases in returns not fully justified by costs."

He said there is danger not only in the increased program costs, but in possible consumer backlash.

Farm Business News

Takes milk cooler line

GORDONVILLE — Sult's Refrigeration Service, 27 Hatville Road, Gordonville, has recently become a distributor for the Paul Mueller Company as an authorized sales and service representative for Mueller Milk Coolers, Mueller Free-Heaters and the Mueller-Matic Automatic Washing

System.

The Paul Mueller Company is the largest manufacturer in the world of milk coolers for dairy farms. Mueller Milk Coolers are currently being used in 70 countries.

Gratz M. Sult is the owner of Sult's Refrigeration Service.

Blue form workshop held in Lancaster

LANCASTER — All 4-H members and leaders are invited to attend the workshop on completing 4-H Blue Forms, for the National Awards Program, at the Lancaster County Farm and Home Center, on April 29, at 7:30 p.m.

York County 4-H'ers who have been National Award winners will be giving tips on filling out award winning blue forms.

There will be a slide presentation on National 4-H Congress shown during the evening program.



Dick Ashley, president, Chemicals Company, presents Allied's top honor, The President's Award, to Glenn Yoder, right.

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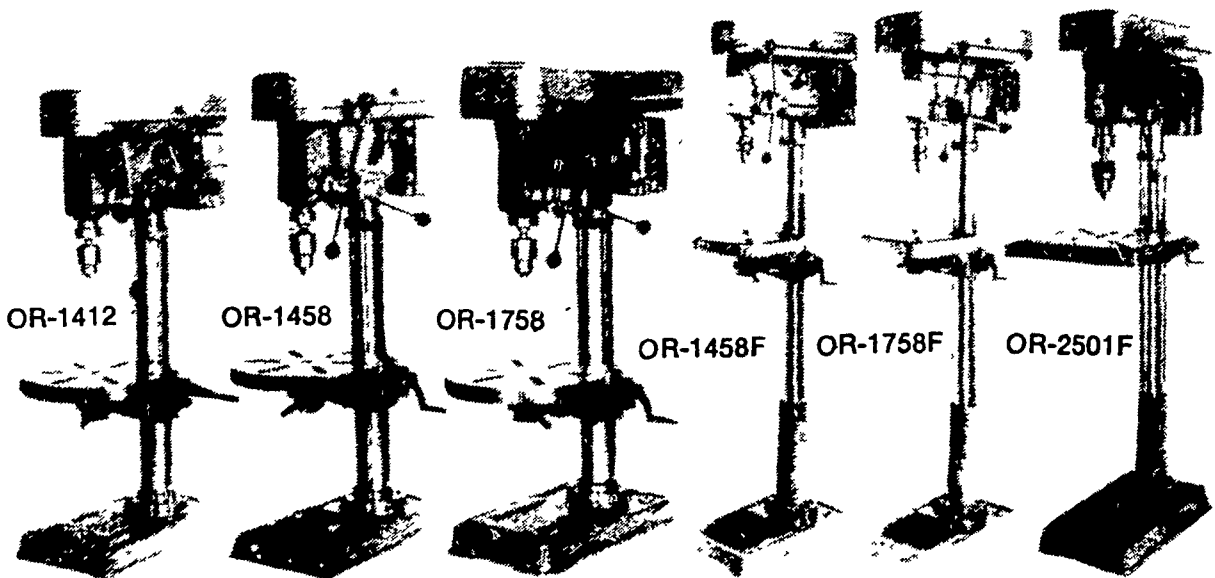
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