The Milk Check

TOM JURCHAK
County Agent

More For Less

May milk production in Order 2 jumped a million pounds a day over April to a total of 993 million pounds — the highest in eight years. But even that monthly increase of 3.2 percent was the smallest since February.

For the first time since last fall, increases in Order 2 receipts were under the national average May production in the country was up 3.4 percent over last May and Pennsylvania jumped a whopping four percent

Traditionally May has been the biggest production month in Order 2 so hopefully you may be looking at the peak for the year.

Of course, the more for less rule applies to the blend price as most producers know but ignore. So, as a result of more milk, you'll be getting six cents a hundred less than last month.

You can argue that your Louisville Plan payment was up 10 cents over April so you really gained four cents. If you take that route then you'll have to admit you blew a 24 cent increase in your Class I price over last month by lowering your utilization to 39.6 percent.

Altogether, you could have done much worse with 993 million pounds at $11.90 a hundred. What helped you in addition to that 24 cent jump in the Class I price (for which you can thank the March M-W and the price support program) was a 15 million pound increase in Class I sales that boosted consumption by 100,000 pounds a day

But look out for June.

Even if total production drops you will have another 40 cent take out for the Louisville Pan, your Class I price goes up only nine cents and, most importantly, school's out and Class I sales will drop 20 million pounds.

Less For More

If you're interested in changing more milk for less money to less milk for more money, it's not hard to do — at least on paper

If you could reduce production by only three percent, even below your present high rate, you could have your manufacturing grade milk price at least up to the support level of $12.07 instead of the $11.59 that it was in May.

The M-W price is always higher than the manufacturing grade price So it could easily be $12.15.

The May seasonal adjustment for Class II milk in Order 2 is minus 12 cents so that would make it $12.03 The Class I differential is $2.25. So, added to the $12.15, it would make that price $14.40.

With a three percent cut in production, your utilization would increase to at least 50 percent. So you could have a blend of $13.21 instead of $11.90 a hundred.

An increase of $1.31 sounds too good — and it is. Let's take out the 15 cent transportation credit from the pool and 40 cents for the Louisville Plan

That makes it $12.56 a hundred. But still 66 cents better than your $11.90 of last month.

But, if you have to reduce production to get it, are you any better off than now?

In May, the average Order 2 producer shipped 1,827 pounds of milk a day (which, [illegible] and got $217.41 for it

If he dropped three percent, he would ship 1,772 pounds a day. At $12.56 a hundred, he would receive $222.56 or $5.15 more per day.

How much milk is three percent per day? This is what shocks most farmers who think they have to sell half their herd to make an impact on the market.

Actually, it's only 55 pounds per day or a couple of tail end cows that should have been dried off or sold anyway.

Some would even argue that it would pay to dump it, or drink it, or feed it to calves.

If you didn't produce it, you would have additional savings from costs of feed, labor, vet bills and everything else that went into producing that 55 pounds a day.

Admittedly, I've painted this picture with a pretty wide brush and taken some liberties with the two month lag in the M-W and the Class I price

Some will find fault with it but mainly because my "guesstimates" are too low.

I still believe that the "less for more" principal is valid and now's the time to talk about it

Right now there are no mechanisms in federal orders or the price support program for supply control except through cooperative. Voluntary programs for this won t work any better than they do for advertising and promotion contributions.

This brings up the other possibility of increasing demand through promotion rather than limiting supply with production controls. It's a good idea but may not return as much as quickly as supply control.

Down the Road or Up the Creek

You're in trouble right now and the supply is going to get controlled by the price sooner or later no matter what you do.

I believe the USDA will be taking some action through the Congress before October — in spite of national elections — that will jerk your chain sufficiently to get your attention.

Even the "trigger" mechanisms that were "out of the question" back in March may be "entirely acceptable" in September Last Spring USDA was out on a limb with that idea but since then it has become Farm Bureau policy.

With that much help it's not a question of "whether" but "when"

Any changes made by the Congress now will probably take you only to September, 1981

Next year a brand new farm bill will be written, and you may get production controls as part of the price support program whether you want them or not.

So, you better be thinking now about what kind of controls you want so you will at least get something you feel you can live with. It's a lot better to be looking down the road now than being up the creek later

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The overall rate of farm fatalities was 14.5 per 100,000 farm residents and workers in 1976.