

The Milk Check

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SPOTLIGHT

Maybe I'm sensitive, but from all the publicity in the news media, it seems like everyone in the country knows about the dairy price support program. And what they have heard has not been good—they believe.

Fortunately or unfortunately the way things turned out, dairy price supports captured the spotlight with Senate Bill 509 which would eliminate the April 1 adjustment in the dairy support price.

Hearings were held on the bill by the Senate Agriculture Committee on February 25, and it was reported out of committee by a 14 to 2 vote on March 4. It will be on the floor of the Senate the following week before it goes to the House.

There's a long way to go before

passage. But, because it was the first piece of legislation introduced as part of the administration's "Program for Economic Recovery", it became a bellwether that was to provide the first clues to Congressional reaction to the President's demands.

The most often repeated comments were that, without the April 1 adjustment, the government would save \$148 million dollars. But, with it, consumers would pay eight cents a gallon more for milk.

While I'm writing this, I'm listening to a young lady telling her radio audience storage costs for surplus dairy products are costing taxpayers \$500,000 a day; that the cost of the program last year was \$2 to \$3 billion; that there are excessive storage losses due to

spoilage; and all of this to keep the farmers' milk price above the support price. She didn't say that all of those dairy products now in storage would be sold in the future to reduce the cost of the program and become a lid on milk prices.

Certainly there is some truth in many of the news releases, but distortion and "slanting" can be found in nearly all of them.

Unfortunately, farmers themselves have not made an effort to sort the chaff from the wheat. When non-farm friends — or even the local TV reporters — ask questions it gives the impression that even among producers it's all right to do whatever the administration wants to do to dairy price supports.

I'm certainly not against economic recovery. And if everyone has to give up something to achieve it, we will.

But I think you ought to be making it clear that you too are giving up something — and how much — and that what you're giving up needs to be considered in the future when other programs are realigned.

HORSE TRADING

That eight cents a gallon comes from assuming a 90 cent increase in Class I prices if you get the April 1 adjustment in the support price.

There are 46 5 quarts in a hundred pounds of milk. So 90 cents divided by 46 5 gives you about two cents a quart or eight cents a gallon.

It doesn't quite work out that way in practice (which we'll get into later). But assuming it did, you could take that same 90 cents a hundred and show that you are giving up \$2700 in the next six months if you don't get it.

The average producer in Order 2 shipped 1642 pounds of milk a day last year. At 90 cents a hundred, he will give up nearly \$15 a day or \$450 a month or \$2700 in six months.

This "sacrifice" can continue

into the next marketing year, starting October 1, depending on what the new farm bill provides.

If you're giving up that much for the sake of economic recovery, then you should be in a good position for some horse trading in writing the new farm bill.

It will probably reduce the minimum price support level to 75 percent of parity whether or not you get the April 1 adjustment which depends on Senate Bill 509 passing both houses of Congress before the end of March.

Some things you might consider in your horse trading are such important issues in the dairy industry as quotas on (or elimination of) casein imports. It's interesting that in that 14 to 2 vote on SB 509 in the Senate Agriculture Committee, the two votes against were from Senators who wanted to include elimination of casein imports in that bill. The vote for amendment was 8 to 8 so you have some support right on the committee.

You could do more horse trading with legislation on labeling imitation dairy products so consumers would know for sure what they're buying.

Then there are those CNI proposals still kicking around the USDA that could be laid to rest for good.

And how about recent decisions allowing soft drinks to be served in school lunch programs to replace milk?

And, of course, the new dairy price support legislation. If you have to go back to 75 percent of parity, at least let's get some changes made in setting the butter, powder and cheese prices so they will accurately reflect 75 percent in the manufacturing milk prices rather than what you've had since October, 1979.

And, if you're really in a horse trading mood, why not consider an economic formula for pricing milk

in the support program? If you have the bugs worked out there you might even put it in your Federal Order program.

STAY ALERT-STAY ALIVE

These are busy times in the milk marketing arena, and you'll have to stay alert to keep on top of all the developing situations that affect the entire industry.

Some producers are feeling the shifts more seriously than others, but it's touching everyone. With the usual spring house cleaning among Order 2 handlers, some farmers are more concerned with changing markets for their milk than following the legislative scene.

However, SB 509 will be followed closely by the news media for reasons already mentioned.

Even before the Senate Agriculture Committee moved it to the floor, they had started hearings on the 1981 Farm Bill. They've already worked their way through wheat, corn, cotton, sugar, soybeans and peanuts and on March 11 it will be dairy's turn.

It will be only the first shot heard 'round the dairy industry and many people will have different ideas on what is the best program for the most people.

I just hope you don't take the attitude that everything has already been decided and there's no use trying to get what you feel is best for you. You'll have to keep both eyes and ears on Washington while you're keeping your nose to the grindstone, your shoulder to the wheel and your feet on the ground.

And if you find it hard to milk in that position, just remember you're on the Reagan road to economic recovery.



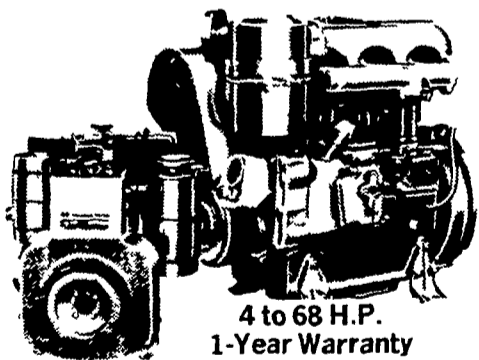
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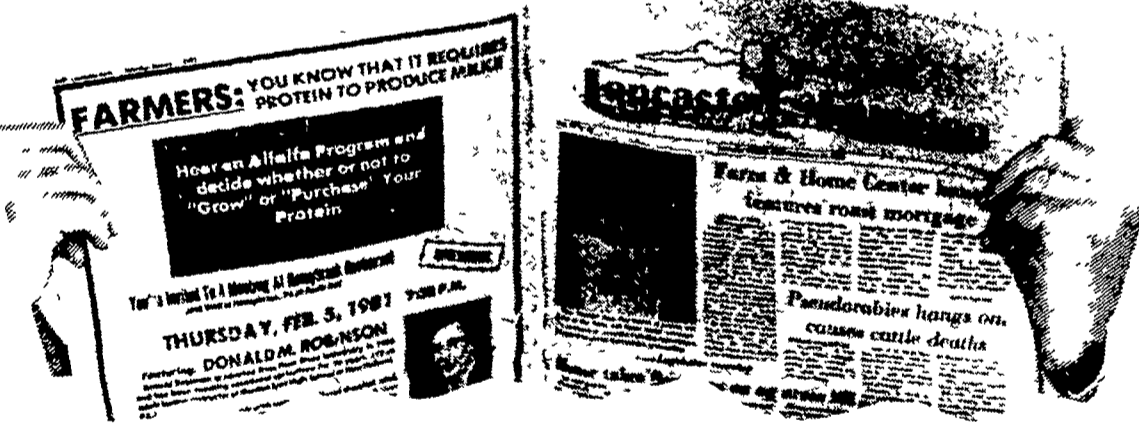
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