Inter-State annual meeting

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the current support price equals 72 5 percent

The conference committee agreed on an annual adjustment on October 1, 1983 to 70 percent parity level However, if the U S. Secretary of Agriculture believes CCC purchases will fall below 4 billion pounds milk equivalent in 1983, he can readjust milk supports to 75 percent of parity

The following year, the agriculture secretary will move dairy supports to 70 percent parity on October 1, 1984, unless CCC removals fall below 3.5 billion pounds of milk equivalent. In that case the Secretary must set support of 75 percent parity.

October 1985 will require another adjustment at 70 percent parity, unless CCC purchases are less than 2 69 billion pounds of milk equivalent The Secretary must then set supports at 75 percent of parity.

Following the committee's completion of the Farm Bill titles, the Bill will be sent back to the U.S House and Senate for ratification.

"The Bill may very well not pass the House and very possibly will be vetoed by the president,"Lyng reported.

Earlier this year, President Reagan signed legislation that eliminated the April 1 adjustment that would have provided support at 80 percent parity.

"We had hoped that would have slowed down the flow of milk — but it didn't," the Deputy Secretary said

"As a result," he continued, "we've accumulated butter and powder in unprecedented amounts."

Lyng explained the government is currently paying $1 million a day in interest on CCC purchases.

"We don't know what to do with it," said Lyng.

In addition to giving surplus products to schools and institutions, Lyng explained the government attempted to offer the surplus up for unrestricted trade below world market price. But not suprisingly, as in the New Zealand butter deal, the government drew complaints

Much of the butter sold to New Zealand, said Lyng, was 30 months old, lower in fat than most butter used overseas and salted.

"New Zealand is now having trouble getting rid of the butter and doesn't want anymore," Lyng noted

Although U.S dairy prices are supported at higher levels than world market prices, Lyng said the future holds great potential for U.S dairy exports.

In spite of Lyng's somber message, the Deputy Secretary expressed optimism regarding the Reagan economic policy.

"The thing is beginning to work," he said.

Lyng said he is encouraged by the slowly declining interest rates.

"Inflation is below double digit figures."

Lyng explained the federal budget doubled from 1975 to 1981.

"It will not grow at that rate. The budget is coming down a little," he said

For several dairy families attending Inter-State's Annual Meeting, the Deputy Secretary's message came as no suprise.

"He just drove home the reality of what we have to face," said Lancaster County dairyman John Barley.

"We've enjoyed too much government subsidy for too long And now it's time to bite the bullet," Barley added.

Adams County dairyman Tom Clowney said he would have rather heard more solutions from Lyng than problem causes.

"We're aware of the surplus and we've been following the situation closely,"Clowney said.

"But we have to keep producing to meet inflationary production costs," he added Clowney explained that to improve the situation, farmers should cull more heavily and concentrate on better crop production to reduce feed costs

Lyng's address highlighted the two-day Inter-State 64th Annual Meeting. The theme for the co-op's meeting was "A Commitment to Progress."

"Reflecting upon last year's events, Inter-State has turned challenges into marketing opportunities for you, the Inter-State member," said president Robert B. McSparran speaking before the more than 1,200 IMPCO members that attended

McSparran outlined several marketing challenges tackled by Inter-State in the past year He cited the expansion of service in the Federal Order No 2 market, a capital retention program and the sole ownership of Holly Milk

"Holly Milk Cooperative has demonstrated its ability to contibute to effective marketing," said Ivo V Otto, Jr past president of Holly's Board of Directors Otto received a plaque from Inter-State for his service over the past years.

"The greatest gift to me is that Holly can be an operation we can really be proud of," Otto commented.

Otto explained that sales at Holly exceeded $75 million in 1980 The plant processed more that 450 million pounds of milk for the fiscal year ending this past July.

Inter-State's general manager James E. Honan offered a picture of many market changes the co-op's 3,200 members will encounter in the future.

Honan noted the closing of Harbisons Dairies' bottling plant in Philadelphia, following the lead set by Breuninger's several years earlier

In additon, Atlantic Processing Inc. has obtained the Acme Market bottling contract previously held by Penn Dairies, said Honan. Inter-State, an API member, had supplied milk to Acme on a tolling basis.

"Inter-State is in a position to, if availability occurs, to provide milk to Order 2 buyers and/or other buyers in this region," explained Honan.

According to Honan, Inter-State can meet some goals by "going it alone" He cited Holly ownership as an example.

"This ownership provides Inter-State additional bargaining power We have a reasonable market share, and Holly will provide us with the opportunity to maintain it"

However, the general manager admitted that some goals require cooperation.

"We needed a market for Class I and Class II milk. API needed the volume to run the Allentown plant efficiently. Both parties benifit," noted Honan.

"A strong cooperative can follow the path to its own objectives and still work with other cooperatives," Honan concluded.

At press time, the Inter-State members are slated to hear keynote speaker Susan Fridy, legislative representative for National Milk Producers Federation.

Pennsylvania Secretary of Agriculture Penrose Hallowell receives a word of advice from a mechanical friend. Milky the Robot was on hand during Inter-State's Annual Meeting.

U.S. farmscape changes to fewer, larger farms

WASHINGTON, D C — If present trends continue, nearly one out of every three of today's farms may not be around by the turn of the century.

The prime culprit won't be urban sprawl. Most of the decline in the number of farms will come as larger units absorb smaller ones, resulting in an increasing concentration of farmland and farm production among the biggest operations.

Of course, these projections are by no means inevitable, as USDA economist George Coffman points out Farm policies, the economy, energy costs, technology, foreign market developments, and other, perhaps unanticipated, factors will all influence the future of U S agriculture

From 1935's peak of close to 7 million, U.S farm numbers have now dropped below 2½ million. If the steady decline continues, another half to three-quarter million units may disappear by the year 2000.

By then, the proportion of farms in the small, medium, and large classes will have changed substantially. Small farms (those with gross annual sales of less than $20,000) will no longer dominate the farm count as they do today The projections indicate that they'll have slipped from about two-thirds of all U S farms to only about half

Many will shift out of the small farm class only because of commodity price rises that boost their sales above $20,000 Others will expand But many small operations will be sold or rented to larger farms as their owners retire or move into other occupations

The squeeze may be even greater on medium-size farms ($20,000 to $99,999 in gross annual sales) About half of these farms may either expand into — or be absorbed by — large farms during the next 20 years If this happens, midsize units may account for only about 20 percent of total farm numbers, down from around 30 percent now.

"Many medium-size farms seem to be too large for part-time farming and too small for efficient full-time farming," Coffman says In the future, they may also fail to serve as a transition to large farms "Such farms often are unable to generate the revenue necessary for growth," according to Coffman

On the other hand, the number of large farms (gross annual sales of $100,000 or more) will grow sharply There may be about four times as many by the turn of the century, and they'll have climbed to about one out of every three farms from fewer than one out of ten today

Many will incorporate to take advantage of income and inheritance tax laws, but the vast majority of farms — large and small — will still be family enterprises

Concentration of Output

While much of the move to larger operations will reflect farmers' expansion decisions, price inflation will also play a role in pushing farms into larger sales classes Coffman's projections assume an average annual increase in farm prices of 7.5 percent — about equal to the average rate of the 1970's

Under these conditions, about a third of the buildup in larger farms will reflect nothing more than changes in farm prices A higher price inflation rate would shift more farms into the largest sales classes, while a lower rate would slow the trend

In either case, U S agricultural production will become increasingly concentrated among fewer and larger farms Recent figures show that the largest 1 percent of the farms produce about a fourth of the nation's food In 20 years they'll account for half of total U S output, while the smallest 50 percent of our farms will produce less than 1 percent of America's crops and livestock

By then, farms with annual sales of $100,000 or more will produce virtually all the food going into commercial marketing channels

The dimished role of small farms will partly reflect their size Small farms of the year 2000 will be very small according to projections that the largest million farms will operate almost all of the nation's farmland Three-fourths of the farmland will be in the hands of the top 200,000 operators

Total farm wealth will show a similar pattern of concentration Equity capital (farmers' ownership share of their total assets) was distributed evenly among farm sales classes in 1978 — the small, medium, and large classes each accounted for about a third of total U S. farm equity. In 20 years, however, two-thirds of the total wealth of the farm sector will be in farms with sales of $100,000 or more

Declining Opportunities

Partly for these reasons, it will become even more difficult for new farmers to get started. They may need about $2 million in assets for a farm to generate sales of more than $100,000, double the estimated requirements of 1978

Of course, capital requirements for small farms will be much lower, and a large percentage of operators are now at the age when they'll be retiring sometime in the next few decades

However, even when smaller, less expensive tracts of farmland are available for sale or rental, many aspiring young farmers will face intense competition from established farmers expanding their operations There may also be sales competition from nonfarm investors seeking to develop the land or rent it to a "proven" operator Those who do manage to enter farming on a small scale will be heavily dependent on off-farm income "Very few will succeed in making the transition to full-time farming," Coffman says Most small farms won't generate enough income to support a family, let alone enough for expansion

Also, as many of these units are bought up to expand existing farms, there will be fewer farms around for the future, particularly at the sizes a young person may be able to afford

In fact, for every three operators who leave farms with sales of less than $100,000, only one will begin The total number of new farmers under age 35, may shrink from about 377,000 just a few years ago to 233,000 by the end of the century.

Of course, the number of large farms will be expanding, but that won't open many doors for new entrants because their capital requirements will usually be far beyond their reach Opportunities will be confined mostly to those who inherit a farm, and — more often than in the past — they'll be inheriting not an entire farm but partnership or shares in a family farm corporation that's highly specialized.

Specialization dramatically altered the face of U S. agriculture in recent decades, and its effects will grow more pronounced in the future This is partly related to increasingly specialized machinery and equipment and partly to the efficiencies producers obtain by devoting their attention and energy to one product, Coffman says

Most large producers will be unwilling to forego the advantages of further specialization because pressures to expand will be greater than ever and opportunities more limited Thus, competition at the top will intensify as control of U S farmland is concentrated among fewer and fewer operations

New capital-intensive farming technologies will encourage both the trend to larger farms and the move to greater specialization. Larger farms will benefit more from labor-saving technology because they have more to gain

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