"Cloudy Sunshine" is '82 dairy, livestock forecast

BY SHEILA MILLER

SCHAEFFERSTOWN — What's in store for dairy and livestock producers in 1982? That was the question and purpose of a seminar held here last Wednesday by the Lebanon Valley National Bank.

Serving as soothsayers for the fortune-telling session were Charles N. Shaw, who is the section leader for the Supply, Demand and Price Section of the U.S. Dept. of Agriculture, and Penn State's H. Louis Moore, professor of agriculture economics.

Although most of what Shaw shared with the farmers and ag businessmen who filled the local Fire Hall was no earth-shaking revelation, he guided the group through the technical data on dairy price supports and offered his dismal forecast for the future.

"Price suppport issues are of concern to farmers nationwide," commented Shaw. In retrospect, he referred to 1981 as a "year of uncertainty" in the dairy business. He explained that farmers experienced an unsettling realization on April 1 of that year when the federal government voted to forego the dairy producers' semi-annual price support adjustment. This rude-awakening followed on the heels of three previous years when the price support was at 80 percent and the semi-annual adjustments never faltered in raising the price per hundredweight of milk.

Shaw reviewed the provisions of the Agriculture and Food Act of 1981 which now allows a fluctuating price support based on Commodity Credit Corporation purchases. "If CCC purchases exceed $1 billion, the Secretary of Agriculture can set the price support at the minimum," he stated. "If the purchases are less, parity will be set at 70-75 percent." The USDA economist, however, did not offer much hope that dairy producers will see the 75 percent parity until "production and commercial use come back into better adjustment."

Based on current statistics, it is doubtful that production will take the nose-dive that the government is demanding. December's milk production was up 3.2 percent from year ago figures; there was an increase in cow numbers by 8 percent; and production per cow increased another 2 percent. According to December reports, there werre 11 million cows in the U.S. dairy herds, noted Shaw — the greatest number since March 1977. He attributes this increase to two factors: the large numbers of available replacement heifers that are entering the milking strings; and the limited culling of cows due to depressed beef prices.

Instead of a drop in pounds of milk nationwide, Shaw predicted that by December 1982 there will be a 1-3 percent increase — despite a slowing in gains later in the year. He cautioned the local dairymen not to set their hopes and expectations on an increase in milk prices. He predicted the 1982 prices will remain unchanged at $13.10 a hundredweight with a possible 2 percent increase only "if there's a downward adjustment in production nationwide."

In his analysis of the economic situation for the dairy producer, Shaw noted that returns over concentrate costs will increase due to lower feed prices, however the "real value" will be down due to inflation. That same inflation will raise the price of milk at the retail level, said Shaw, pointing out that "farm to retail cost will make up a sizable portion of this retail increase."

Increased milk production on the farm coupled with only a 1½ percent increase in per capita consumption since 1979 has set the stage for record CCC stocks. In 1981, the CCC purchases came to 10 percent of the estimated U.S. marketings at 12.9 billion pounds in contrast to the 1980 CCC purchases amounting to 8.8 billion pounds. The net cost of the dairy support program rang in at almost $2 billion.

Shaw predicted the program costs "will remain high in 1982." He cautioned that "unless there's a quick turn around, the October program cost estimate will exceed $1 billion and dairy producers will be looking at the minimum price support—$13.25 a hundredweight—less than 70 percent parity." His outlook for 1983 echoed the 1982 forecast and Shaw warned that unless milk production and consumption are brought more closely in line, it will mean another year of minimum price support.

One way to help solve this dilemma, Shaw said, would be for dairy producers to look into alternative careers either on or off the farm. But, as Penn State's Lou Moore pointed out, as dairy producers look for alternative ways to make a living, livestock producers are looking at dairying as a way to insure a stable income and get their share at the "government trough."

Moore blamed this shift in enterprises on several years of unprofitability in the beef and pork businesses. The economic recessions experienced in the U.S. during the past two years, surpluses, sanctions and embargoes, interest rates, farm costs versus income, and record grain crops all have played a major role in

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