

# The Milk Check

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County Agent



### Confusion Continues

If dairy farmers are confused about their production plans as we begin a new marketing year in October they should be used to it. For a business that has, in the past, been the envy of agriculture for its stability, it has set records of uncertainty, if not confusion, in the last 30 months.

Ever since the President and the Congress stopped the scheduled six month increase in the milk support price at \$13.10 on April 1, 1981 producers have never been sure of what would happen next. The support price is still at \$13.10 but almost every month it has been threatened by changes suggested by the Congress, the administration or the industry.

From the Kansas City conference of March 1982 right up through the last session of Congress there have been literally dozens of solutions suggested. Many of these would have drastically changed the marketing picture for most producers but no one was ever sure which one it would be. Farmers were being led in a different direction with each change in the reports of what program was getting enough votes to win. It took Congress a year to pass the present legislation in September 1982 but the ink wasn't dry before it was taken to court to add to the confusion. In the meantime, two dozen more

proposals were introduced in Congress in this session with still no decision made on a replacement.

It was bad enough dealing with the uncertainty of Congressional action now we have the added confusion of what the drought; the PIK program and the Dairy Refund Program will do to milk marketing and production. Action has already been taken by some farmers who don't have enough forage feed for the winter and lower dairy cattle prices locally have already reflected their decision. However, for the majority of farmers the confusion continues still on what will happen next in the support program; how well they cope with rising feed prices and lower milk prices; would it help to participate in the Dairy Refund Program and what will happen when all that PIK corn comes on the market?

### Last First

Taking the last one first it appears that the way things are turning out in this part of the country, farmers aren't going to see much of that PIK corn on the farm. All of it will be in Philadelphia with the farmer paying the cost of hauling if he wants to bring it home and if he has some place to store it. It's more likely that most farmers will leave it where it is and take the money. They can use the money to buy

feed at home but I'm guessing that many - when they look at the price of feed and the price of milk - may spend it on something else. They may not sell the corn until they see which way the milk business is going or just to put the money in 1984 income but locally, at least, I think it will be sold.

However, whether it's brought home and fed or sold at the warehouse, some farmers are expecting it to produce a drop in feed prices at the farm that would be helpful. Most people in the grain business don't see this happening in the long run because there isn't nearly enough PIK corn to make up for the crop losses from the drought. Here in Pennsylvania we normally produce about 135 million bushels of corn and PIK will provide only 10.5 million. It's a lot of corn but not enough to cover our losses from the drought. Nationally PIK will put a billion bushels on the market but according to the last report on September 12 this year's crop is about 4 billion bushels short of last year. Corn prices may go down and up this fall and winter but it's expected they'll average high enough to raise dairy feed prices. Reductions in beef and hogs won't be enough to help either.

### Support Program

Confusion is still the word for the future on price supports because even though we've started a Dairy Refund Program in September new law suits are being started on the 50 cent assessments in spite of a ruling by the federal court in

Richmond that they were constitutional and there were no procedural errors. Now we have a petition for a rehearing by a three judge panel or a hearing of the entire case by all nine judges in the appellate court. Another new law suit has been started by farmers in New York and is expected to have a hearing this week.

In addition, Congressmen are beginning to make noises about introducing the compromise bill now that we have a cease fire in Lebanon and it looks like it will be a long time before we find the "black box" in the Sea of Japan. If the administration and grain state Senators would give up on a target price freeze it could happen unless someone insists on amendments that would throw it back into committees where it would likely die. The only thing we're certain of is the uncertainty.

### Refund or Not

The question of participating in the Dairy Refund Program has to be answered individually. Each farmer will have to determine his base; examine his present production and make a decision. This is one time when averages will do you no good no matter how much you read about production increases or cost savings. Comparing your base to your present production is a start and if you do nothing else you should at least get your base established at the ASCS office. With all the uncertainty of what price support program may get voted in next, having your base on record could be important in the

future.

Knowing your costs per hundredweight of milk is the next piece of information you'll need. These vary greatly between herds and feed costs alone can vary as much as two dollars a hundred between herds. And remember how much money you need each month for mortgage and debt payments because after September it will be six months before you get the first refund check.

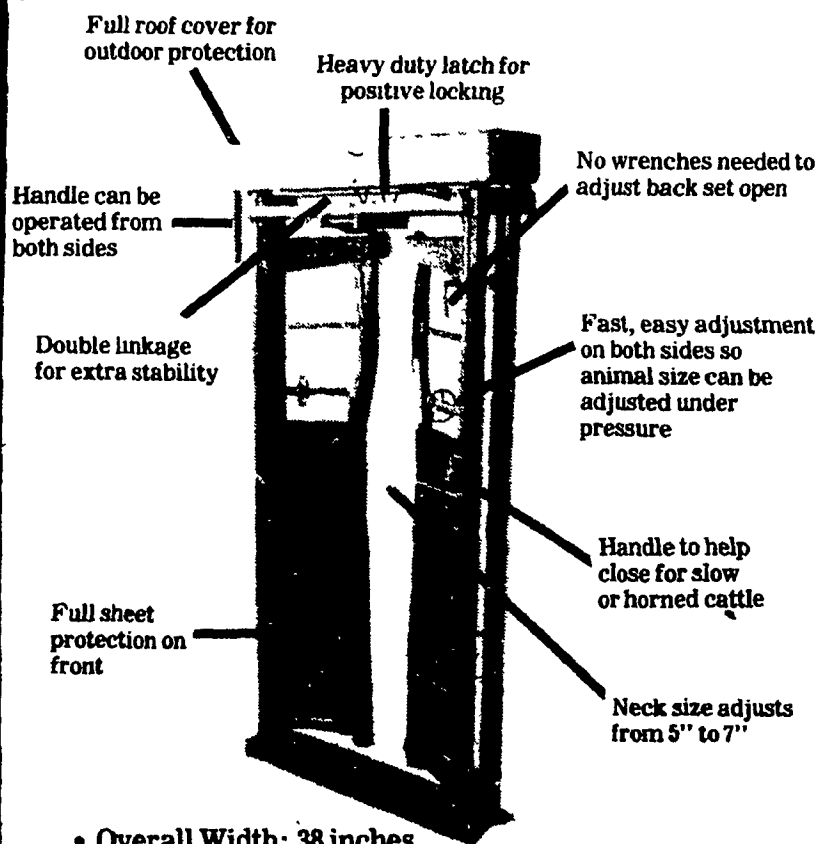
The Dairy Refund Program is not for everyone but according to a recent study in Order 2 one third of the farmers are now producing below their base. If you're one of them it's very likely it would pay you to participate but the only way you'll know is to dig out your own records and take them to the ASCS office.

Of all these uncertainties the most certain is a rise in feed costs. With Pennsylvania farmers feeding a pound of grain for every 2.5 pounds of milk there's lots of room for change. Especially if you're lucky to have sufficient forage feeds on the farm. Start now on a forage testing program including a least cost grain mix and cut your grain to milk ratio down to the bone - just for starters.

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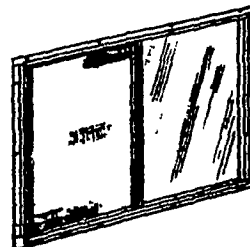
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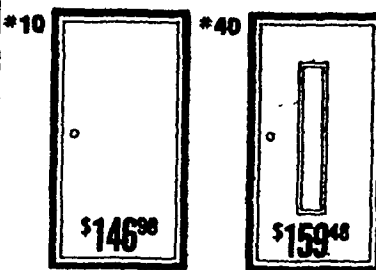
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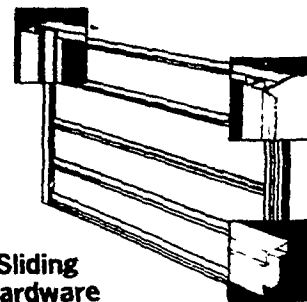


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