

# The Milk Check

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County Agent



### No Contract Changes

Last week the USDA released enrollment information on the Milk Diversion Program and concluded that there would apparently be no reason for modifying contracts. In light of the number of farmers enrolled; the amount of milk to be diverted and the number of dairy cows to be slaughtered because of the program, no changes would be made. However, farmers under contract should receive, by certified mail, a letter from ASCS verifying acceptance of their contract before it is official.

Total enrollment for the nation was 37,530 or about 12 percent of the producers. They contracted to reduce production below their base by 9.3 billion pounds or 5.5 percent of the national supply over the next 15 months. They would send 336,796 more cows to slaughter or about 60 percent above normal culling between now and March 31, 1985. This was the average for 15 months but during the first quarter they plan to send twice as many cows to the butcher than they usually do and in the last quarter only 30 percent more.

With only a 5.5 percent cut, USDA does not see this as a threat to fluid milk supplies in any market. Neither do they feel that

the extra cull cows will seriously affect farm prices for meat. Besides, they have other opportunities for supporting meat prices if needed. Such things as the triggers already in place for limiting beef imports and CCC purchases of meat for school lunch or other commodity programs.

At this level of participation, the 50 cent assessment started December 1 to pay for the Milk Diversion Program will about cover the cost if there are no extras for administration. Over the 15 month period ASCS will send about \$930 million, at the rate of \$10 a hundred, to the 37,530 farmers for an average of \$24,780 per farm for reducing production an average of 23 percent below their base.

### Regional Differences

There were big differences, regionally, in participation but not as some expected. Those who were guessing, thought participation would be light in the northeast and midwest but heavy in the southeast and southwest. It didn't turn out that way. Here in the northeast, participation was below average with Pennsylvania and New York at six and eight percent, with Vermont and New Hampshire at 12 and eight percent. The southeast, southwest and California were

about at the national average of 12 percent. The big surprise, if there was one, was in the midwest and the lake states. In the midwest, Kansas, Iowa and Nebraska ranged from 18 to 22 percent participation and the lake states of Wisconsin, Minnesota and Michigan - all big states in milk production - had 14 to 20 percent participation.

So, while it would appear that

there is no threat to fluid milk supplies nationally, local market or individual handlers could have a supply problem but milk probably will not have to move long distances to meet fluid needs. Milk for processing, particularly butter, powder, cheese and condensed milk, will have to fill the gap for fluid use and soft product manufacturing and this is where the shoe will pinch. Processing

capacity expanded in recent years to accommodate increased production since 1979 may not have the milk supply they have come to expect. However, if we can use the rule of thumb that the reduction in supply will be about half the percent of farmer participation then the greatest reduction of milk supply even in the midwest would be about 10 percent. That could

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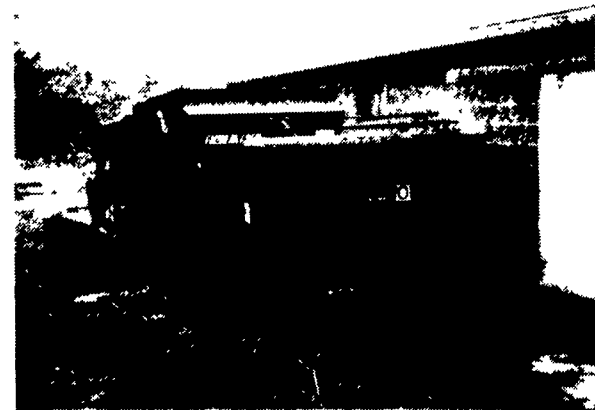
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