

State dairy industry in hands of legislature

(Editor's Note: The following was released by the Pennsylvania Association of Milk Dealers).

HARRISBURG — The future direction of Pennsylvania's billion dollar dairy industry may be determined this year by the state legislature as it analyzes the operations of the Milk Marketing Board under what is known as a Sunset Review.

In 1981, the General Assembly passed a law which requires that it take a look at most state agencies, boards, commissions, etc., every 10 years to see whether they should be maintained, changed or completely eliminated. The Milk Marketing Board is "up at bat" in 1984.

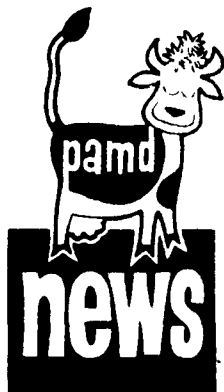
The Senate Committee of Agriculture and Rural Affairs received the initial responsibility of proposing recommendations on the future of this agency, which has the responsibility of monitoring and maintaining the economic stability of Pennsylvania's largest agricultural industry. It held a hearing on May 23 in Harrisburg where seven out of 23 interested witnesses were heard — the remaining field statements with the committee.

A report is expected in the near future which then will be sent to the entire legislature for its approval. Under the law, some action is required — maintain, change or eliminate — before the end of this year's session which must close November 30. If nothing is done, the Milk Marketing Board, under the Sunset Law, should automatically be terminated.

The present Milk Marketing Law (originally known as the Milk Control Law) was passed in 1937 as a permanent statute following temporary laws which were first enacted in 1934. The Keystone State was one of many which took such action due to the questionable quality of milk during the Depression days which threatened the health of the people.

Under this law, the Milk Marketing Board composed of three members sets the minimum prices which milk dealers or processors must pay farmers and minimums to be paid by stores, restaurants, schools and consumers. The Board staff also audits books of the dealers, checks the integrity of dealer milk samples, etc.

Dealers must post a bond or pay into a Milk Producer's Security Fund to protect farmers in case of



dealer bankruptcies. Currently, dealers have filed over \$50 million in bonds or other security with the state and there is over \$1 million in the Security Fund. There have been some problems with this latter arrangement but new legislation is near passage in the General Assembly to provide more funding. In all, it costs dealers over \$1 million a year for this farmer protection, according to Earl Fink, spokesman for the Harrisburg-based Pennsylvania Association of Milk Dealers.

Over the years, since the passage of the law, the dairy industry in the Commonwealth has continued to grow and has an annual output of nearly five billion quarts a year. While the state is only 33rd in size among the 50, it continues to be the fifth largest milk producer. The approximately 15,000 commercial dairy farmers sell more than \$1.5 billion worth of milk to the state's processors of milk, ice cream, cheese and other dairy products. More than 40 cents out of every dollar received by Pennsylvania farmers comes from milk.

At this stage it appears the General Assembly may be looking favorably on the continuation of the Milk Marketing Law, Fink said. With the recent Avian Flu disaster in the poultry industry, there is deep concern for agriculture in the state.

The only questions asked deal with the setting of prices paid by consumers, continued the dealer representative, on the basis that a so-called "free market" would mean lower prices.

"This is a fallacy and milk price figures show the Pennsylvania consumer is paying well below the national average," Fink said. "In a survey of prices in 34 U.S. cities the average price for a gallon of homogenized milk was \$2 last

month. The Milk Marketing minimums in most areas of the state are below this. In Philadelphia, for example, the price is \$1.89 and dealers pay farmers more than in most of the nation."

Some reports to the General Assembly were that only four states set prices and this is wrong, said the dealer spokesman. Several states in recent years did eliminate this system and prices temporarily went down as price wars broke out. After a number of dealers were forced out of business, the price "for some reason" then went above the

national average. This happened in California and Mississippi. Where the state sets minimums, usually on a low level, there is little tendency to go above this.

"Profits in the milk industry are extremely low," Fink added. "The last report from the Milk Marketing Board showed a return of less than 1½ cents on the sales dollar before taxes. Few industries operate at this level since it does not provide adequate income for modernization and purchase of new equipment. The farmer gets at least 52 cents out of every dollar paid for milk by consumers. How

many other foods and beverages do this well?"

There is concern by dealers, as well as farmers shipping to them, that some action on consumer pricing might be taken by the legislature. Dealer closings, due to inadequate profits, already are high. Some 11,000 state dairy employees with a weekly payroll of over \$3 million, also are watching to see whether their jobs, like so many in recent years, may be eliminated.

The General Assembly, starting with the State Senate, has the responsibility.

Milk diversion payments top \$136 million

WASHINGTON, D.C. — The U.S. Department of Agriculture reports milk diversion checks for the January - March 1984 quarter that were paid, cashed and processed through mid-June totaled just over \$136 million. This is about 73 percent of the payments USDA expects to make for the first 3 months of the 15-month program.

USDA projects that dairy price support purchases by the Commodity Credit Corporation will be 10.9 billion pounds, milk equivalent, for this marketing year, a decline from the 16.6 billion pounds last year. The cost of purchasing the 10.9 billion pounds this year will exceed \$1.5 billion.

The Dairy and Tobacco Adjustment Act of 1983 authorizes price support reductions of 50 cents per hundredweight on April 1 and July 1, 1985 next year if CCC purchases for the following 12 months will exceed 6 billion and 5 billion pounds, respectively.

Deductions from producers for milk marketings beginning Dec. 1, 1983, totaled about \$277 million through mid-June. At this time deductions exceed payments, but USDA estimates that over the life of the program deductions and payments will be nearly equal. Thus, the \$10 per hundredweight diversion payments are funded almost entirely from 50-cent deductions from the industry.

USDA said milk production

gains have ceased following almost 5 years of monthly gains over year-earlier levels. Production on a daily average basis for January through May was down about 1.9 percent from a year earlier.

In addition to the diversion program, other factors contributing to the decline include higher feed costs, an improving economy which provides additional non-dairy alternatives and expected lower milk support prices in the future.

A state-by-state table of diversion payments follows:

Alabama - 1,091; Arizona - 1,298; Arkansas - 1,762; California - 11,224; Colorado - 1,622; Connecticut - 555; Delaware - 93; Florida - 5,828; Georgia - 3,025; Idaho - 3,093; Illinois - 3,070; In-

diana - 2,298; Iowa - 4,964; Kansas - 3,008; Kentucky - 3,694; Louisiana - 2,156; Maine - 385; Maryland - 987; Massachusetts - 509; Michigan - 3,969; Minnesota - 11,572; Mississippi - 1,969; Missouri - 5,697; Montana - 226; Nebraska - 2,454; Nevada - 303; New Hampshire - 250; New Jersey - 365; New Mexico - 461; New York - 5,846; North Carolina - 1,288; North Dakota - 955; Ohio - 3,543; Oklahoma - 2,216; Oregon - 1,211; Pennsylvania - 3,947; Rhode Island - 27; South Carolina - 604; South Dakota - 2,681; Tennessee - 3,532; Texas - 7,137; Utah - 1,583; Vermont - 1,539; Virginia - 2,042; Washington - 2,363; West Virginia - 384; Wisconsin - 16,924; Wyoming - 270; Total - 136,018 1/

1/ May not add due to rounding

Sire Power Sale July 26

TUNKHANNOCK — The 1984 Sire Power Consignment Sale, set for July 26 at the Kutztown Fairgrounds beginning at 11 a.m., promises to be another outstanding and successful sale.

The Sire Power Sale is known for the quality of animals that have been sold and gone on to do an outstanding job in the buyer's herd. Outstanding daughters of elite sires Chairman, Jet Stream, Spirit, Elevation and Kingpin will

sell. Also selling are daughters of Jemini, Standard, Lone Ranger, Saul and Stewart, among others.

Two 95580 Jetson heifers, both from outstanding maternal sires with exceptional type and production, will also sell.

Highlighting the sale will be the offering of Browncroft Jetson semen. Jetson sire, is one of the most prestigious bulls in the Holstein breed.

CONSTRUCTION

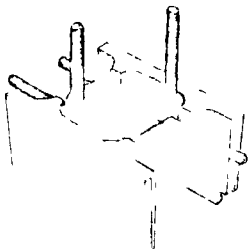
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