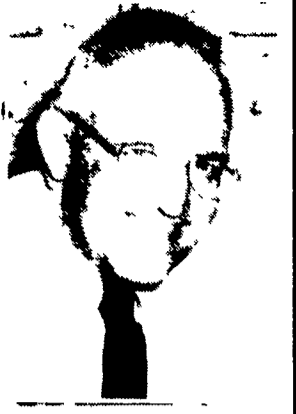


The Milk Check

TOM JURCHAK
County Agent



USDA's herd buyout regs

This week the USDA released enough of the regulations on the Production Termination Program or the so called whole herd buy out provisions of the Food Security Act of 1985 that producers can start taking a hard look at the program and begin analyzing their business to determine if they want to participate and what their bid would be.

We know now that producers who participate will have to sell all

their dairy stock from cows to calves for slaughter or export and now allow their facilities to be used for dairy purposes for five years.

They must be producing milk at the same time they submit a bid but the deadline for bidding is not yet clear. It's expected to be on February 28 but that's not definite. However, it fits the timetable of starting the buy outs when the 40 cent assessment on all milk starts in April.

Producers must provide a list of the number and composition of their herd on January 1, 1985; January 1, 1986 and at the time of making their bid. Any unusual change in the number of composition of the herd during this period may make you ineligible for the program.

Monthly records of milk marketing for the 18 months between July 1984 and December 1985 must be provided to determine the base period. The base period will be the 12 months from July 1984 to June 1985 OR January 1985 to December 1985 whichever is the lower in pounds of milk marketed. The base period is important because you will make your bid on the hundredweight of milk marketed during that period.

Be prepared to make your bid at the county Agricultural Stabilization and Conservation Service office by the end of February but don't call them until you have received word that they have the necessary forms for the program. This may not happen until early in February so you may have only a month or less to make your bid. Please understand that this timetable is only my best guess but you better be prepared for a short sign up period. Don't waste any time now but start to determine what you will bid if you are serious about participating.

Buy Out Periods

When you submit your bid you will have the option of selling out during three different periods. You will also have the option of submitting the same bid or different bids for each of the periods. The

sell out period will be from April thru August 1986, the second will be from September 1986 thru February 1987 and the third period from March through August 1987.

You should know by April 1 if your bid was accepted in any one of the three periods you have chosen to make bids and dispose of your herds.

The purpose is to spread out the sale of cattle to minimize the effect on market prices for farmers who are primarily beef and pork producers and have no price support program to help them.

Remember, it's the lowest bids that are accepted for each of the buy out periods and the goal is to divert 12 billion pounds of milk.

At this point, no one knows how many farmers will submit bids or at what prices so you need to know accurately what you will take to stop shipping milk for five years.

Pay Back Options

If your bid is accepted and you agree to a contract to sell out during any of the three five-month periods you will have a choice of four different ways of receiving your payments. The payments will be your bid price multiplied by the hundred-weight of milk marketed during your base period. Your choices for being paid this amount include:

- Five equal annual payments.
- A first year payment not to exceed 80 percent of the total and the remainder in equal annual payments over the next four years.
- No payment the first year and equal annual payments over the next four years.
- No payment the first year with

a second year payment not to exceed 85 percent of the total and the remainder in three equal annual payments.

Your choice of payment options will depend on your present debt; the income expected from the sale of cattle and other assets like machinery as well as the income tax implications depending on your present and expected future income. Here again is a situation that will require careful consideration and the best option must be decided individually.

Consider Carefully

It's important to know that you must sell for slaughter or export all the cattle on your farm and any others in which you have a financial interest. In addition, your facilities cannot be used for five years by anyone for the production of milk or even raising cattle that will produce milk for others.

You can use the farm for other agricultural enterprises but not dairy. There are not maximums on bid prices but the lowest will be those accepted and USDA has the option of rejecting any bids if they think they're too high.

You will know by April 1 if your bid has been accepted and for which sell out period. The question still remains about what to do about planting crops next year while you're waiting to learn if your bid has been accepted and for what period.

So far there's no special consideration given for those who participated in the diversion program in the past so don't count on it now. County ASCS offices won't be prepared to start taking your bids or even providing the necessary forms until early February so don't even ask. However, you can start collecting the information you'll need to make a decision so don't waste time waiting for forms if you're serious about participating.

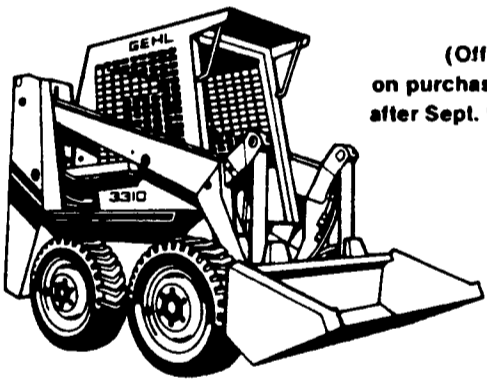
December Order 2

The uniform price to farmers in the 201-210 mile zone for 3.5 percent butterfat milk shipped to Order 2 handlers during December was \$12.01 a hundred. That's 29 cents less than November and \$1.37 less than December 1985. Twenty-six of the 29 cent drop from November came from a 26 cent pay back to producers from the Louisville Plan fund that was the last for the year.

The remaining three cents came from a two percent drop in the Class I utilization. The \$1.37 difference from last year was a reflection of the drop in the Minnesota-Wisconsin Price Series from \$12.52 last December to \$11.18 this year. For those dairymen who do not plan to participate in the Production Termination Program the hope is to get that 12 billion pounds of milk diverted as soon as possible so prices can start back up again — and they will. More on that next time.

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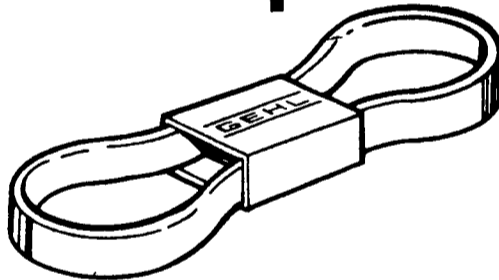
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