

Lancaster farmers review dairy economic situation

BY SUZANNE KEENE

LANCASTER — Increasing milk production coupled with billion-dollar government expenditures to purchase the excess supply have led to Farm Bill provisions calling for a whole herd buyout program and lower support prices.

But what are the factors that have created this situation? Lancaster County dairymen took time out this week to look at the dairy situation during an Extension-sponsored program at the Farm and Home Center Tuesday.

Extension farm management specialist William McSweeney noted that both cow numbers and production per cow have been increasing, while feed prices have been down substantially.

In the past year, he said, "We enjoyed a fairly substantial and favorable decline in feed costs."

Pennsylvania has seen a modest jump in cow numbers, production per cow and total production, while California, Minnesota and New York have had a "fairly substantial increase in milk production," he said.

The end result has been an excess supply of milk, with government CCC purchases estimated at \$17 billion for 1986, representing, "a fairly sizable jump over previous years, with most of the increase out of the midwest."

The surplus supply has led to a corresponding decrease in prices. However, feed prices are sliding faster than milk prices and farmers are responding by producing even more milk, said Extension milk marketing specialist Jack Kirkland.

Taking a look back, Kirkland noted that in 1970, wholesale milk prices rose steadily until the '80s, when support prices were lowered.

In 1983 the whole price was between \$13.50 and \$14. But in December of that year, the support price was reduced.

In the latter part of 1984, prices began climbing again as a result of the dairy diversion program, but April and July of 1985 saw more declines in the support price.

"It bottomed out about June and July," Kirkland noted, adding that since then, the price has been fairly constant.

During the '70s the cost of the CCC program was low, but in the '80s "costs shot up dramatically," reaching \$2.6 billion in 1983. Then, in 1984, the diversion program went into effect and CCC purchases again decreased. But at the end of the program, CCC and government purchases soared again.

In general, Pennsylvania farmers got higher prices for their milk than their counterparts across the nation. Pennsylvania dairymen received \$14.40 per cwt. for fluid milk and \$13.20 for manufactured milk, while Minnesota dairymen were receiving \$13.60 for fluid and \$12.85 for manufactured. In Wisconsin, farmers were getting \$13.89 for fluid and \$13.28 for manufactured.

"So," McSweeney said, "Pennsylvania farmers did well on price received for milk they marketed."

"In general, dairy farmers in Pennsylvania are financially healthy in relation to their counterparts in some of the other milk-producing states."

The dairy industry is currently undergoing some drastic changes, including geographical concentration, lower capital investment, greater concern over management and genetics and a price/cost squeeze. "The net result



Penn State Extension personnel discussed the dairy economic situation with Lancaster County farmers during seminar at the Farm and Home Center this week. From left are Joseph Hlubik, Jack Kirkland, William McSweeney, and Glenn Shirk.

is there will be fewer dairy farmers in the country," McSweeney said.

"The price/cost struggle will continue into the foreseeable future," McSweeney said, noting that the average price for milk was \$12.72 while the average cost for milk sold was almost \$2 higher, at \$14.68.

The two major expenses facing dairymen are purchased feed and interest, and those farmers with high outlays in both categories will have less chance of survival than other farmers," McSweeney said.

In considering participation in the whole herd buyout program, Kirkland urged farmers to consider career alternatives for the five years they would be out of

farming. The buyout program is much different from the dairy diversion program, he cautioned. "We're talking about a career decision."

"In my opinion, I think it would be very hard to participate with the idea of coming back into production in five years," he ad-

ded. Kirkland said the success of the buyout program will also depend on those dairymen who remain in the business. If they continue to increase their milk production, they could offset any reduction in surplus achieved by the buyout program.

N.J. dairy meeting

FLEMINGTON, NJ — Woodson Moffett, Jr., Director of the Division of Dairy Industry, N.J. Department of Agriculture, will speak at the upcoming meeting of the Hunterdon County Board of Agriculture on Wednesday, Feb. 5, 8:00 p.m.

"Woody Moffett is our state's leading authority on matters

relating to the dairy industry," says Floyd Schwab, East Amwell dairyman. "Mr. Moffett will bring our local ag board up-to-date on the current situation in the milk producing industry."

Schwab is chairman of the County Board's Dairy Advisory Committee, responsible for making arrangements for the program.

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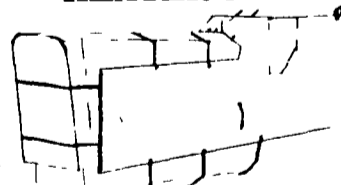
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