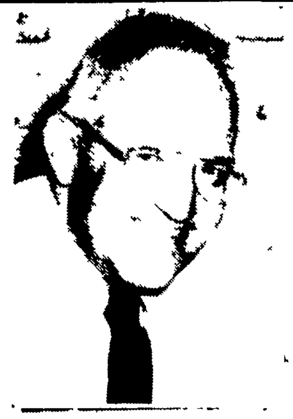
The Milk Check



TOM JURCHAK
County Agent

New Wrinkle

A new wrinkle has been added to the Dairy Termination Program by USDA to satisfy cattlemen concerned about the effect on beef prices caused by 66 percent of the dairy cattle in the DTP coming to market in the first disposal period that ends August 31. Those producers with approved contracts assigned to the first disposal period can now move the sale of their cattle for slaughter or export to the second or third disposal period at the same bid price they accepted for the first period.

The second disposal period is from September 1, 1986 to February 28, 1987 and the third period is from March 1 to August 31, 1987. The only restrictions are that the number of cattle slaughtered or exported in the first period cannot drop below 50 percent of the total in the program and the producer must notify his local ASCS office and get permission before making the change.

You'll also have to accept a later payment period. This new option will provide an opportunity for producers to ship milk longer for the added income or pick another disposal period that may provide an opportunity for lowering income tax liabilities.

The second disposal period includes two tax years that may provide such an opportunity. It's not expected that many farmers will make any changes now that they've come this far but it does satisfy the complaint of the cattlemen and puts an end to their law suit. It's not much different than the controversy over branding–just an effort to keep everybody happy, if that's possible.

Beef Prices Rebound

Looking at beef prices, that were also a concern to dairymen as well as cattlemen, the wholesale price for cull dairy cows has already recovered to the level before the Dairy Termination Program cattle started coming to market. Back on March 31 the wholesale price of boning or breaking utility cow carcasses was 72 cents a pound according to the "yellow sheet" which is what most wholesale butchers use for market prices. By the first week of May it was back up to 70 cents after dropping as low as 54 cents around the middle of April.

Now it's back up to 72 cents and will probably continue to provide the seasonal increases we expect in beef prices in May and June. These may be the best prices for the year and may not return until the early summer of 1987. This may be a reason for changing, or not changing, your disposal period.

At least the increase in beef prices in May must have been helpful in calming the fears of cattlemen that the DTP would depress prices over a long time. It didn't happen and maybe that's why they settled for a voluntary adjustment in the disposal periods.

The Russians Are Coming

It was back in the 1970's that they helped us get rid of our surplus grain because of crop failures and increasing livestock production in their country and now the Russians are coming again. No one knows for sure at this writing what the effect will be on Russian grain crops as a result of the nuclear accident at their Chernobyl power plant on April 26 but reports indicate that they will be buying large amounts of corn and wheats in world markets and hopefully some of the business will come to U.S.

This is fine for grain farmers who certainly deserve a break but it may also be reflected in higher feed prices for dairymen in the future.

On the other hand, reports of good planting weather in the corn belt indicate a good start for 1986 production that may offset any strengthening in prices because of Russian purchases. Everyone sympathizes with the Russians and their suffering from the world's worst nuclear accident and it will be a long time before all the costs can be added up.

Even now trace amounts of fallout have been detected in air samples all the way to the east coast in the Carolinas and Connecticut. Milk supplies are usually monitored for fallout because it is produced over a wide area; goes to market every other day and can be sampled easily at central processing plants. Remembering the effect on milk consumption in Pennsylvania after Three Mile Island let's pray that doesn't happen again.

And while the weather in the corn belt has been good a severe drought has developed to the south of us all the way to the Carolinas. Reports of it reaching to south central Pennsylvania have already been heard but hopefully there will be relief soon. While we worry about milk prices and the effect of the DTP we may get more of an adjustment in our supply-demand problems from the weatherman and the Russians than we get from the Farm Security Act.

Assessments Begin

The 40 cent assessment for the Dairy Termination Program and the 12 cent assessment under Gramm-Rudman will combine with a 19 cent drop in the farm price in Order 2 to cut your April milk check by 71 cents or six percent below March. Compared to a year ago the blend price at the farm is down 88 cents but adding the 52 cent assessment makes it $1.40 or over 11 percent below April of last year.

The 50 cent assessment for the old Milk Diversion Program ended in March 1985 so you had no assessment in April of last year. It seems like everything that can lower the farm price is happening all at once in April. Even the expected increase in your blend price from a 30 cent increase in the Class I differential only begins with May milk deliveries.

However, looking at the blend price alone without the assessments it will be $11.31 for April deliveries to Order 2 handlers. That's 88 cents below last April and 19 cents below March of this year. Half of the 19 cent difference is in a 10 cent increase in your Louisville Plan payment from 20 cents in March to 30 cents in April. It will go up another 10 cents in May making it 40 cents for May and June.

The remaining nine cent difference comes from another four cent drop in the Minnesota-Wisconsin Price Series to $10.98 for April that reflects in lower Class prices in Federal Orders.

Total production for April in Order 2 was 1.053 billion pounds, the same as in March, but with one day less in the month to sell it. As a result the Class I utilization dropped from 37.7 to 36.9 percent. This was the highest production for April in Order 2 in 20 years.

With the spring flush of milk coming to market in May and June it is always difficult to get any price improvement but hopefully the sale of cattle from herds in the Dairy Termination Program will begin to make some impact in the next few months to help producers recapture some of the 50 cent assessment they are paying for the program.

Manor FFA

MILLERSVILLE - Eight members of the Manor FFA Chapter traveled to Oklahoma City, Okla. recently to compete in the National Land, Pasture and Range Contests.

Jere Hoover, past president of the chapter, placed 39th in a field of over 1,000 contestants. Other members placed as follows: Troy Musser, 89th; Steve Main, 78th; John Burkholder, 133rd; Gary Broderick, 178th; Dave Breneman, 262nd; John Ressler, 268th; and Rodney Nissley, 271st.

The chapter's two teams placed 23rd and 60th out of 103 teams.

This was the third time in five years the Manor Chapter attended the National Contest.