

# U.S. Milk Production Climbs in April

**HARRISBURG** — April production figures showed a net decrease in cow numbers from a year ago, but total production increased over 39 million pounds from the same period.

USDA figures show that in Pennsylvania in April 1985 there were approximately 738,000 cows in the state compared to 730,000 cows this year. This decrease is an early sign of the effectiveness of the Milk Termination Program, according to Jack Kirkland, dairy marketing specialist at Penn State.

The production increase from 793 million pounds in April 1985 to 832 million pounds in April 1986 is the result of increases in individual production records. Production per cow rose from 1,075 pounds per cow to 1,140 pounds.

However, the total production is down from the March figure of 840 million pounds. This decrease is more evidence of the effectiveness of the MTP.

Total milk production in the 21 major dairy states, which produce 84.5 percent of the total production, was 12.7 billion pounds of milk. Trends found in Pennsylvania, production per cow up and total production up, were similar throughout the United States.

Despite the seemingly bleak outlook at this point, Kirkland pointed out that it is necessary to look at the whole picture to keep things in perspective. "The bright side is that costs are also dropping," Kirkland said.

The three main grouping for costs are feed, interest rates, and fuel, which includes fertilizer

costs. Costs continue to drop faster than the milk price, Kirkland stated. With this in mind, he ventured that 1986 could turn out to be a better year than 1985.

Replacement cow costs are also lower this year, averaging \$865 compared to \$950 to last year. He noted that this is not good for those selling, yet it is the trend for all dairy industry prices to be decreasing.

Prices for fluid milk, at the farmer level prior to any assessments, were also down from one year ago. "This is reflective of more milk, more total volume produced. The depressed farmer prices show a smaller percentage of milk that receives the higher price for fluid milk," Kirkland noted.

Last year, in Federal Order 2,

farmers were receiving a blend price of \$12.19 per hundredweight compared to \$11.31 this year. With the deduction of the 67 cent assessment, the actual price that the farmer receives is \$10.64.

Federal Order 4 price per hundredweight this month is \$12.23 prior to the reduction of 67 cents for the assessment. In April 1985 this price was \$13.11.

The western quarter of the state and the eastern part of Ohio, Federal Order 36, received \$11.88 in April this year and \$12.90 last year.

Presently in the northeastern states, which include Pennsylvania and all states to the north, the measure of profitability or milk price—feed ratio is 1.46. The breakeven point is 1.3 Kirkland

stated. With the assessment of 67 cents figured into the ratio, the level is still above the 1.3 level, Kirkland noted, citing this as further evidence that the dairy industry is still relatively profitable.

Many farmers are putting more cows on to make more milk. This will ultimately result in a lower net price for the milk, Kirkland explained, and further reduction in the support price.

"The distribution of profitability is all over, it boils down to the management," Kirkland stated. The exact number of farmers who will survive and who won't remains to be seen, but the poorer managers probably will not be in dairy too long, Kirkland explained.

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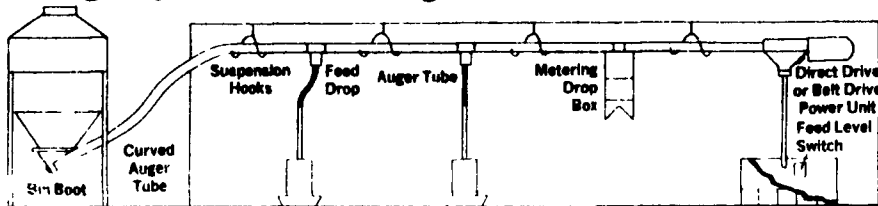


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