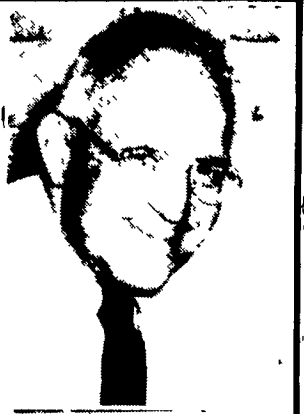


The Milk Check

TOM JURCHAK
County Agent



Decreasing Increases

While many are rushing to write off the Farm Security Act as a failure to the dairy industry before most of its provisions have been implemented, there are signs of improving market conditions as we come out of the usual spring flush.

It took us four years to work ourselves into the present supply/demand problems so it's unreasonable to expect we can work ourselves out of them in four months. However, while milk production is still higher than a year ago it is increasing at a decreasing rate as economists describe it. That means that the increases are getting smaller each month. Back in January it was eight percent over 1985 and for the first time three months you averaged seven percent. Then in April it dropped to five percent and in May it was less than three percent.

This has produced the unusual situation of increasing butter prices in the spring and keeping the Minnesota-Wisconsin Price Series from falling as far as it usually does from January to June. Butter prices have improved from \$1.37 a pound, the average for March, to \$1.39 for June and on

July 3 it went up to \$1.42 a pound.

The support price for butter is \$1.40 a pound so if the market maintains this improvement it will mean less butter that will be purchased by the Commodity Credit Corporation. The market price would have to go to \$1.54 before CCC could start selling its butter but that's 12 cents more and seems unlikely. However, the butter price advanced 18 cents a pound in 1984 when we had the diversion program.

The Minnesota-Wisconsin Price is another story. We have to count our blessings in the fact that it dropped only 12 cents from \$11.12 in January to \$11.00 in June. The lowest during April and May was \$10.98 so it looks like we're on our way up already. It may not sound like much until you compare it to 1985 when the M-W fell \$1.16 from January to June and never recovered by December. That was when we had the spring flush in the fall.

Cheese prices have not yet shown the same increases as butter but when they do you'll see a greater impact on the M-W price, hopefully this fall. How much that impact will be is still speculative and changes from the first to the second or third disposal period of

the Dairy Termination Program will have to be considered. However, USDA estimates that were running about 30 to 40 cent increases in the M-W this fall have now been raised to a range of 40 to 70 cents above the present price. If it gets to \$11.60 this fall it will be 40 cents more than last year and that will be enough to take care of your assessment for the Dairy Termination Program.

However, a 70 cent increase in the M-W price before the end of the year may not be out of the question. We still have six months to go and with declining production and increasing sales it could happen. In 1984 during the diversion program the M-W increased 63 cents from June to November with only a four percent drop in production in a year of record high shipments. Besides we have a lot more dairy cattle to sell as we finish the first disposal period of the Dairy Termination Program in August and start a new one in September. Up to June 14 only 471,700 head had gone to slaughter and 13,822 exported under the DTP out of a total of 1.5 million head. We've sold less than a third of the cattle to be disposed of in the program and over half of them must go in the first period.

You'll also get back your 12 cent assessment after September 30 when that legislation ends. Hopefully it won't be renewed.

Other Improvements

If milk production is increasing at a decreasing rate than consumption is increasing at an increasing rate. We know that "commercial disappearance" (those dairy products not sold to CCC) has increased seven percent in the last two years but so far this

year you're getting about a four percent increase. No one thought you could maintain three percent a year for two years and now your exceeding that in the third year. The chairman of the National Dairy Board says that this is the best increase in dairy product sales in 20 years. Even fluid milk sales are up 2.4 percent and butter was up nearly six percent. Cheese, of course was the leader at 12 percent and he says per capita consumption for all dairy products is up over 10 percent since 1983.

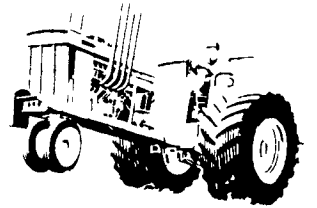
Much of the credit must go to your advertising and promotion program that started in May 1984 but some of the improvement started before that because dairy product prices have been competitive with other foods and more consumers are learning the nutritive value of your products.

Order 2 Board

Another good sign of market improvement was an increase in the Order 2 blend price from May to June. That hasn't happened since 1979 except during the diversion program in 1984. The increase wasn't much from \$11.25 to \$11.27 but considering your increased production over last year it looks good. That increase in the Class I differential again added 10 cents to your blend price but it was still 20 cents under last June.

Certainly, we have to look closely for hopeful signs of improvement because we've hardly started on an 18 month adjustment period. It's much too early to make a judgement and as long as there can be no new cards dealt until we play out this hand, let's keep an eye on the pot and see what develops.

Tractor Pull Tally



Buck Tractor Pull Results

July 12, 1986
5000 Modified
Tom Seas Bangor PA 2 454 Chev 296 4 Gary Mills Fallston MD Turbine 286 6 Robert Wittenbrader Lake Ariel PA Allison 283 10
5800 FWD
Steven Conrad Port Deposit MD 1957 Ford Full Pull Dan Fellenbaum Litz PA 1969 Chev 299 11 Willie Omph Winchestr VA 1986 Ford 298 8
7000 Modified
Curtis Luckenbill Schuylkill Haven PA 440

Chev Full Pull Andrew Zielinski Chase MD Detroit 292 9 Vernon Kourey Stewartstown PA Packard 284 4

6200 FWD

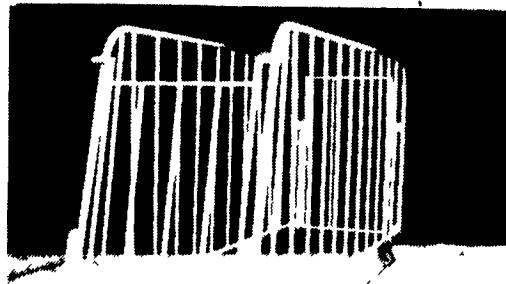
Steven Conrad Port Deposit MD 1957 Ford Full Pull/293 11 Willie Omph Winchestr VA 1986 Ford Full Pull/292 5 Ed Hanstovan Morris dale PA 1980 Chev Full Pull 291 2

9000 Open

Robert Wittenbrader Lake Ariel PA Allison Full Pull/243 9 Earle Henderson Stewartstown PA Packard Full Pull 235 9 Bob Brown Hanover PA Detroit Full Pull/226 6

SOLID STEEL GESTATION STALL

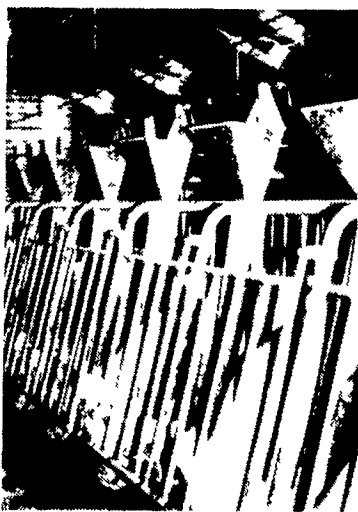
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- SLOPING FRONT
- 5/8" VERTICAL ROD
- TOP HINGE FRONT GATE
- REAR GATE TWO WAY SWING

Weight Per Unit
Complete Stall w/Back & Front Gate - 125 Lbs.

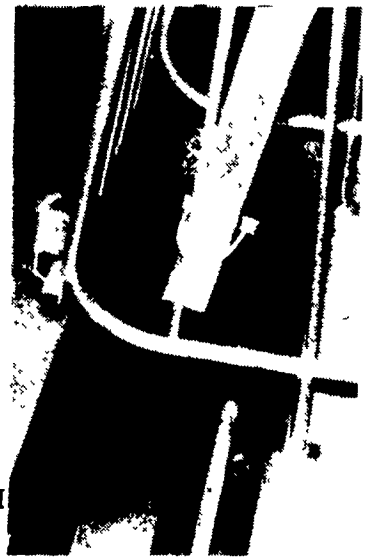
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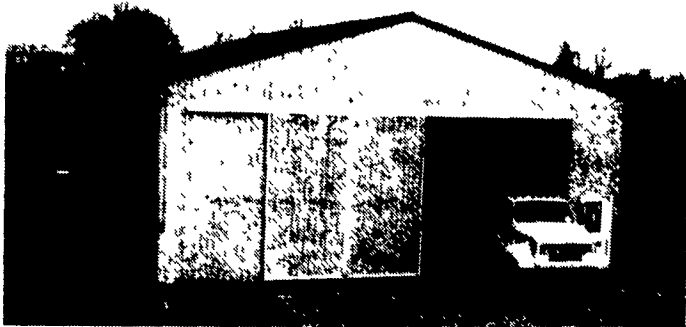
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