

# Production Increases Slowing

UNIVERSITY PARK — June provided good news and bad news concerning nation milk production figures released by the USDA. The bad news is that production is still rising inspite of the Dairy Termination Program. The good news is that the rate of increase has slowed to 1.5 percent over the same period last year.

May 1986 figures were up 2.7 percent over May 1985 figures. Milk prices also dropped at a slower rate, 20 cents in Federal Order 4 from June 1985, compared to a 60 cent drop in May 1985 to May 1986. Cull cows prices remained at nearly the same level.

Pennsylvania recorded a total cow population of 732,000 in June 1986, down .5 percent from the June 1985 figure of 736,000. In May 1986 there were 730,000 cows in the State. Nationwide cow numbers dropped 1.3 percent as the impact of the DTP becomes more noticeable. This is further evidenced by the one month drop of 42,000 cows in cow numbers from May 1986 to June 1986 throughout the nation.

To account for the drop in cow numbers and increase in total milk production, production per cow rose 2.1 percent from June 1985 statistics of 1,175 pounds per cow to June 1986 statistics of 1,200 pounds per cow in Pennsylvania. This figure also dropped 50 pounds from the May 1986 level of 1,250 pounds.

On the national level, production per cow for June 1986 increased at a higher rate of 2.9 percent from June 1985. Production per cow averaged 1,182 in June 1986 in the United States.

Total milk production for the nation was 10.7 billion pounds, up from the June 1985 level of 11.1 billion pounds by 1.5 percent. Total

milk production in Pennsylvania in June 1986 peaked at 878 million pounds, also up 1.5 percent from the June 1985 level of 865 million pounds. However, this number is down from the May 1986 total of 913 million pounds of milk.

Production in the southeast region of the United States is expected to be reduced in response to dry weather which has severely limited crops and feed, forced early culling due to the lack of feed, and caused heat stressed drop in production. This situation could cause decreases in addition to those being incurred as a result of the DTP, according to Jack Kirkland, dairy marketing specialist at PennState.

Blend milk prices were down slightly in all three Federal Orders found in Pennsylvania.

Last year in Federal Order 2, farmers received \$11.47 per hundredweight compared to \$11.27 this year before any assessments. This price is up an encouraging two cents from the May 1986 price of \$11.25.

Federal Order 4 blend price per hundredweight in June 1985 was \$12.47. In June 1986 the price dropped to \$12.27, which is also down one cent from the May 1986 price of \$12.28. Federal Order 4 Class 1 utilization increased, which means that more milk is going for the higher Class 1 price.

The biggest drop in price came in Federal Order 36 with a 44 cent drop in blend price. In June 1985, producers in the western part of Pennsylvania and eastern Ohio were paid \$11.82 per hundredweight while in June 1985 the price per hundredweight was \$12.26.

The Minnesota-Wisconsin price rebounded in June 1986 with a two

cent rise over the May 1986 price. This forced the price of butter and cheese up 4.25 cents from the middle of June to the middle of July, an indication that the summer milk market is tightening.

When butter prices rise, the CCC begins to sell surplus products back to the dairies, primarily in the Mid-West, and it reduces surplus purchases.

This price change is interpreted as good news for the dairy farmers, according to Kirkland. CCC purchases are down 47 percent from the middle of July 1985 to the middle of July 1986.

"As more cows are sold, it will help the market prices even more by aiding in further reducing CCC purchases," Kirkland commented. However, some farmers are continuing to add cow which could reduce the current, beneficial trend.

Farmers are increasing their herd sizes for one of two reasons, Kirkland speculated. One reason is to maintain or increase cash flow to maintain a standard of living comparably to what they are used to. However, the farmer must be aware of the limitations to expansion.

Expansion limitations include out growing out of or overcrowding

present facilities. There are also pressures to maintain feed supplies.

A second possible reason a farmer may increase the number of cows he is milking is to raise his base level in anticipation of a quota system. Kirkland explained that the quota system will never be

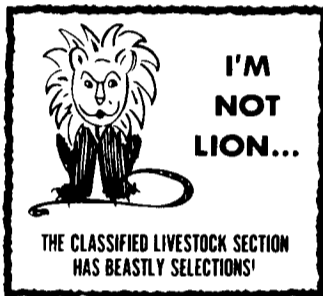
instituted with the present administration.

Cull cow prices dropped 1 cent from last year's price, which indicates the USDA's success in regulating the DTP by preventing a large negative impact on the beef industry.

## Livestock Judging Winners



Capturing first place in their respective divisions for the Lebanon Fair Livestock Judging Contest were: Darren Grumbine, left, 4-H ages 8 to 12; Daryl Grumbine, 4-H ages 13 and over; and Jeff Bomgardner, FFA in school.



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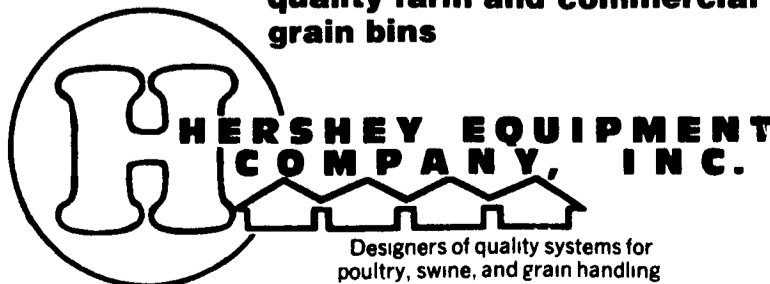
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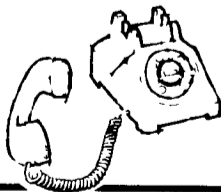


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