The Milk Check

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Prices Are Increasing

Increases in butter and cheese prices last month have left a trail of changes through the whole marketing chain and finally reached the farm in the September milk check.

About 10 cents of the 16 cent increase in the Chicago butter price since March just happened between July and August. Cheese prices also advanced over six cents but half of that also came in August. These improved butter and cheese prices translated into a higher Minnesota-Wisconsin Price Series that jumped 27 cents from July to August. That was the best monthly increase since September 1984 during the diversion program.

Since the M-W is the basis for setting the Class prices of milk in Federal Orders it means higher milk checks to producers.

In addition to the increases in the Class prices, that jump in butter prices will also provide an increase in your butterfat differential from .160 in June to .177 in August. Getting down to the bottom line, you'll find that the Uniform Price in Order 2 for August was $12.46 which was 19 cents better than a year ago but a hefty 60 cents better than last month. That uniform price or blend price does not include transportation or butterfat differentials so your check may be higher but that's the average for all producers shipping to Order 2 handlers.

However, not all of that 60 cent increase came from higher prices. Included was a pay back of 36 cents from the Louisville Plan to which you contributed last spring but I'm sure it will be welcome no matter where it came from. This won't be the end of your price increases this fall because that 27 cent increase in the M-W in August won't show up in your Class I price until October. So, even if there are no further increases in butter and cheese prices you'll be getting the benefits for the next few months.

Looking Ahead

Wholesale butter prices are now 10 percent higher than the support price so the Commodity Credit Corporation has already sold over four million pounds from its stocks of 240 million. Sales have slowed down recently but the CCC has not purchased any butter now for about six weeks. However, because of the opportunity for CCC sales, the market price of butter won't go much higher until all the government stocks are sold.

Any increases in the M-W will have to come largely from increases in cheese prices and this can happen this fall.

Milk production losses in some areas this summer because of hot, dry weather have started shipments from Minnesota and Wisconsin earlier than usual. Even though the weather has improved, there were 113 loads of milk moved from Wisconsin to southern areas the first week of September compared to 49 loads the same week a year ago. In addition, the reserve supply plants in the Upper Midwest Marketing Area were asked to share nearly 10 percent of their milk to pool plants for fluid use in September.

Mostly these are local problems that will be adjusted but could provide some effect on the M-W and in turn your milk check.

The $64 question now is how high will the M-W go this fall considering all the local and national situations. Earlier predictions from USDA were increases of 40 to 70 cents from spring to fall. Starting at $10.98 in May the 40 cent increase would have made it $11.38 but we're already up to $11.33. The 70 cent increase means $11.68 and that seems to be a more realistic figure now with most estimators settling for $11.60 by November which would still be 40 cents more than last year.

However, that doesn't mean that increases over last year won't continue monthly into the new year because you're on a roll now of lower production and higher prices that started back in January and has continued with the help of the Dairy Termination Program; decreasing production; increased Class I differentials; some help from the weather man and a lot of help from increasing commercial sales of dairy products.

You Can Do Better

There's no question that dollar wise, because of assessments, producers are worse off this year than last year but improvements market wise are still worth looking at not only to see what's happening to prices but how your position as a producer may be strengthened in relation to your handler.

We can only use averages to show trends and changes but individually handlers are affected much differently just as all producers are not affected the same as the average. For instance we can show that the Minnesota-Wisconsin Price Series has improved monthly compared to the year before from a minus $1.28 in January to a plus 25 cents in August. That's an increase of $1.53 in eight months compared to last year. Or, looking at the blend price in Order 2 compared to 1985 it went from a minus $1.42 in January to a plus 19 cents in August for a total of $1.61 in August.

Nationally, production has changed from a plus 8 percent over the previous year in January to a minus 1 percent in July. This decreasing production is what has handlers concerned because they only make money when they're handling milk. The less milk they handle the less money they make and with processing capacity increased to handle the peak production of last year, they don't want to lose too many producers because of lower prices or their idle plants will also cost them profits.

In other areas of the country producers and handlers have used over-order pricing to maintain a balance in supplies when Federal Order minimum prices weren't high enough to do it. Here in Order 2 we now have the opportunity with decreasing production and increasing prices to start over-order pricing to provide more farm income and keep more producers in business. However, all of the producers from Maine to Maryland have to cooperate to make it effective because of the over lapping between Order 1 in New England and Order 2 in New York and between Order 4 in Philadelphia and Order 2 in New York.

Producers in New York and New England have been working at this for over a year and organized the Regional Cooperative Marketing Agency to give all producers a chance to get higher prices without any assessments or deductions from their milk check. The Order 4 cooperatives are now forming the Mid Atlantic Cooperative Milk Marketing Agency that will be negotiating over-order pricing with RCMA representing Order 2 and Order 1 producers. With the addition of Order 4 cooperatives which represent 90 percent of the producers in that Order there are now estimated to be 78 percent of all the producers in the three Federal Order areas committed to over-order pricing. The largest gap to be filled now is the group of Order 2 producers, mostly in Pennsylvania, who have not participated yet.

So far a statewide steering committee representing Pennsylvania Farmers Union, Pennsylvania Farmers Association and the Grange has been named and they are in the process of naming county chairmen and committee members in each county. These county committees will provide the opportunity for producers to join RCMA without any cost or changes in their milk check but allow them to collect any over-order premiums that RCMA can negotiate. They only have to join for a year and all non co-op members will be represented proportionately on the board of directors in RCMA.

If you're interested in learning more about RCMA or over-order pricing contact any of the local officers of your farm organization or your state director. By the end of September county committees will have been named and meetings scheduled so you can join RCMA.

This is not a referendum or a poll to determine if producers are in favor of higher prices. This is a marketing organization that has to include every producer in the market so when your directors are negotiating with handlers for higher prices they can be speaking for all the producers not just a majority. It has to be all or it will be nothing. As long as you have the leadership to do the negotiating without cost to you I would hope that you would have the initiative to participate by joining RCMA.

Order 2 Milk Set At $12.46

NEW YORK — Dairy farmers who supplied milk plants regulated under the New York-New Jersey marketing orders during August 1986 will be paid on the basis of a uniform price of $12.46 per hundredweight, 26.8 cents per quart. Market Administrator Thomas A. Wilson also stated that the price was $11.86 in July 1986 and $12.27 in August 1985. The uniform price is a marketwide weighted average of the value of farm milk used for fluid and manufactured dairy products.

The seasonal incentive fund returned a total of $3,478,234.15, or $.364 per hundredweight, to the dairy farmers' uniform price for August. This fund was generated by reducing the uniform price paid to producers during the high-production spring months.

A total of 15,758 dairy farmers supplied the New York-New Jersey Milk Marketing Area with 957,253,993 pounds of milk during August 1986. This was a decrease of 1.6 percent, or 16 million pounds, from last year. The gross value to dairy farmers for milk deliveries was $120,240,484.19. This included differentials required to be paid to dairy farmers but not voluntary premiums or deductions authorized by the farmer.

Regulated milk dealers used 372,772,423 pounds of milk for Class I, 38.9 percent of the total. This milk is used for fluid milk products such as homogenized, flavored, low test, and skim milks. For August 1986, handlers paid $13.55 per hundredweight, 29.1 cents per quart, for Class I milk compared with $13.45 a year ago.

The balance, 584,481,570 pounds or 61.1 percent, was used to manufacture Class II products including butter, cheese, ice cream, and yogurt. Handlers paid $11.43 per hundredweight for this milk.

The uniform price is based on milk containing 3.5 percent butterfat. For August 1986, there was a price differential of 17.7 cents for each one-tenth of one percent that the milk tested above or below the 3.5 percent standard.

All prices quoted are for bulk tank milk received from farms in the 201-210 mile zone from New York City.

USDA Buyout Report

WASHINGTON, D.C. — An estimated 23,300 head of dairy cattle were slaughtered in federally inspected plants during the week ending Aug. 30, as a result of the Dairy Termination Program, the U.S Department of Agriculture announced Wednesday.

This total includes all cows, heifers and calves identified as dairy animals designated for disposition in compliance with the program requirements.

The cumulative total of cattle slaughtered under the program from April 1 through Aug. 30 is an estimated 737,200 head.

The purchases of meat in addition to normal purchases are to help offset the effects of the DTP on the domestic meat market. These purchases, reported biweekly as of Sept. 13, totaled 12.7 million pounds. The cumulative purchases total 289 million pounds.

Dairy cattle reported for export under the program for the period April 1 to Sept. 13 totaled an estimated 32,747 head.

Live cattle exported under the program are expected to increase as countries develop tenders to participate in the export enhancement program.