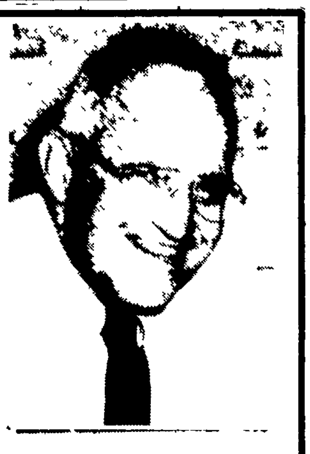
# The Milk Check



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**County Agent**

**Demand Pull**

Increasing demand and decreasing production continue to be reflected in September milk checks. Higher butter and cheese prices boosted the Minnesota-Wisconsin Price Series to $11.55 in September. That was 22 cents better than August and 57 cents better than last May. For what it's worth, it's the first time it has been over the support price since May 1985. Along with the increasing demand and price for butter and cheese, fluid milk sales are increasing in most markets around the country.

We expect some increases in September over August with the opening of schools but here in Order 2 there was a 12 million pound or a 3 percent increase in fluid sales over last September. If you add to that a two percent cut in production in Order 2 over last year you get a Class I utilization of 43.6.

Something you haven't seen since October 1984 during the diversion program.

It all adds up to a uniform or blend price of $12.79 for September in Order 2. That's 33 cents more than August and 42 cents more than last September. Your Louisville Plan pay back was nine cents more in September over August but that still gives you 24 cents more from higher prices and better Class I utilization. Adding that to the 24 cent gain you made in August you can say the market has improved 48 cents in the last two months. Compare that to a drop of 65 cents from January to June and you can see what a turn around the market has made.

**More Coming**

However, that's not the end – there's more coming. The continuing increases in demand are fooling the predictors who couldn't believe that the 3 anf 4 percent increases in commercial disappearance in 1984 and 1985 could be sustained in 1986 but the figures for the first eight months of this year show another 3.4 percent jump. All of that in spite of the giveaways that included 447 million pounds of cheese and 119 million pounds of butter just in 1985 alone and it's continuing at the same rate in 1986.

It's difficult to know how much the giveaways replaced commercial sales but estimates go from 150 to 270 million pounds for the 447 million pounds of cheese distributed. In addition, Commodity Credit Corporation has been selling butter from its storage stock for two months and, believe it or not, for the first time in 10 years, sold back 80,000 pounds of Grade A non-fat dry milk that was not for animal feed.

So, the best predictions last Spring had the Minnesota-Wisconsin Price Series peaking this Fall at $11.68 and it looks like we can make it but even at the current M-W we're looking at Class I prices in November that are 73 cents better than last year. And when you take off the Gramm-Rudman assessment of 12 cents starting with October's milk you should see another 50 cent increase in your milk check before the end of the year.

**Opportunity Ahead**

With all this tightening of market supplies of milk and the increasing consumer demand for dairy products the opportunity for negotiating even higher prices with Order 2 handlers should be apparent to all producers. Nearly every other Federal Milk Marketing Order in the country has been doing it for almost 30 years but not in Order 2.

When Federal Orders were established in 1938 the purpose was to guarantee an adequate supply of fluid milk for consumers with the pricing left to the producers. That's right. Federal Orders are written by producers to regulate handlers but somewhere in the last 30 years you've forgotten the goals while you were busy trying to use hard work and long hours to replace marketing skill.

There's a lot of similarity in the pricing formulas in milk marketing orders. They set the price for Class II milk on the Minnesota-Wisconsin Price Series because that's the only unregulated price for milk used to make dairy products. Then they add a "Class I differential" to the M-W price and call that the Class I price. Originally the "differential" was the cost of moving milk from Wisconsin to the marketing area but they don't represent anything anymore.

Basically the strategy in pricing was to get all the market would bear in the Class I price and sell the remainder as Class II for what it would bring for butter, powder and cheese. In any case, the Class I price in Federal Orders was definitely a minimum price that handlers must pay but producers were expected to negotiate higher prices to get "all that the market would bear."

The fact that Order 2 producers never negotiated a Class I price with handlers is evident now in the prices paid in other markets. For September milk in Order 2 the Class I price was $13.61, the minimum provided by the order.

In Pittsburgh the Federal Order minimum price for September was $13.38 but the producers negotiated an 80 cent premium so the handlers paid $14.18 for Class I milk. In Chicago the minimum Class I price was $12.73 but the producers asked for and got a $1.61 increase so the price was $14.34 to the handlers. Why $1.61 in Chicago and only 80 cents in Pittsburgh? Maybe that's all that market conditions warranted in each area but they both got more than the minimum price.

Looking at all the Federal Orders where producers negotiate over order Class I prices the average for October will be 86 cents. That's six cents more than August and September, another indication of tightening milk supplies.

Right here in Order 2 the minimum Class I price has gone from a low of $13.39 in April to $14.10 in November this year. That's a difference of 71 cents a hundred in seven months. Consumers in New York and the rest of the marketing area drink about the same amount of fluid milk every month. They don't even know that you're getting three or four cents a quart less in the Spring than in the Fall. They certainly don't know that the New York dealers are paying less to their producers than the Pittsburgh dealers.

What I'm trying to show is that Class I prices set by Federal Orders are minimums and that in most other areas producers have negotiated over order premiums anywhere from $2.16 in Carbondale, Illinois and St. Louis, Missouri to 38 cents in Houston, Texas and Seattle, Washington. It's so common in all other markets in the country that it's expected from producers.

Even during the years of record high national milk production and record high government purchases of dairy products to support milk prices, over order premiums on Class I milk were negotiated in most markets.

Now you have a situation developing in Order 2 where milk supplies are tightening mainly because of increasing demand. Those minimum Federal Order prices are not rising fast enough because they're tied to butter, powder and cheese prices. So, why not ask for over-order premiums from the handlers on their Class I sales?

As long as all producers ask for the same premium and it is paid by all the handlers the sytem will work here as it does in other areas. All you have to do is forget all of your prejudices and join one organization without any dues or assessments that will negotiate higher prices with handlers.

Now is your chance.

# Americana Sale Averages $11,970

DEFOREST, Wis. – The fourth Americana Sale, sponsored by American Breeders Service, featured 67 purebred Holstein cows and heifers that were sired by 21 ABS bulls and consigned by breeders in 19 states. They averaged $11,970.

The sale, held in the Dane County Coliseum during the World Dairy Expo, drew a crowd of 5,000 people. Guests and bidders came from just about every state in the nation plus over 50 foreign countries.

Long-Haven Valiant Sally, Very Good, consigned by Carlos and Doug Long of Long-Haven Farms, Clayton, Mich., established a new record price for Expo cattle sales when she sold to Golden Oaks Farm, Wauconda, Ill. for $350,000.

Sally, the number one cow on the Holstein Association's Premier Performer List is also the top daughter of the ABS bull S-W-D Valiant, for milk, fat and protein. As a 3 year old she produced 40,022 pounds of milk testing 4.6 percent for 1,823 pounds of fat and 1,428 pounds of protein.

A second Valiant daughter Tex-Stein Valiant Octavia, VG-86, consigned by Robert E. Steinberger Sr., Windthorst, Texas brought $56,000 from Norman Meissner, Chili, Wis.

Lekker Milkmaster Dash-ET, VG-88, a 4-year-old daughter of Gil-Tex-B Milkmaster sold to Merit Holsteins, Columbus, Wis. for $47,000. She was consigned by L and M Holsteins also of Columbus.

A 15-month-old daughter of Sterk RA Ijon was the top selling heifer at $15,000. Plushanski Ijon Francine, consigned by Charles Plushanski, Kutztown, Pa., sold to Roy Homan and Ron Osofsky of Pine Plains, N.Y.

One of the sale features was a group of daughters of Tri-Day Valiant Gold, the highest Total Performance Index bull alive. These eight heifer calves ranging in age from seven to ten months, brought an average price of $3,800 for eight different consignors.

Twenty-two of the 67 lots were sold for export to Canada and other foreign countries.