

Support Price Drop To Have No Net Effect On Dairymen

UNIVERSITY PARK — On Jan. 1, 1987, the milk support price will be cut by 25 cents. Yet, dairymen will not notice the drop due to a strong Minnesota-Wisconsin price which registered 60 cents over the \$11.31 milk support price in November, according to Jack Kirkland, Penn State dairy marketing specialist.

He added that the M-W price for November 1986 of \$11.91 was up 6.5 percent from the November 1985 level of \$11.19. The all-milk wholesale price in Pennsylvania registered a similar jump from \$12.47 per hundredweight in November 1985 to \$13.28 in November 1986.

The milk/feed ratio, a measure of how well dairymen are doing, reached 1.75 for Pennsylvania dairymen for the quarter ending in November. The breakeven point, or no profit, ranks at 1.3, according to recently released USDA statistics.

This ratio is calculated based on an average price of 16 percent dairy ration in the Northeast state and the all-milk price in Penn-

sylvania, Kirkland explained. "Dairymen should be doing pretty well," he noted.

Milk prices in the three Federal Orders covering Pennsylvania increased as a result of continued decreases in production and increased Class 1 utilization, the Penn State economist noted.

In Federal Order 2, dairymen received \$14.10, before assessments, per hundredweight of milk in November 1986 compared to \$13.37 in November 1985. Class 2 sold for \$11.97 per hundredweight this year as compared to \$11.25 per hundredweight last year. The blend price increased by 75 cents from last year's mark of \$12.30. Class 1 utilization in the New York-New Jersey Order increased by 1.7 percent over the November 1985 rate of 43 percent, Kirkland said.

However, for the same period in Federal Order 4, Class 1 utilization decreased from 48.5 in November 1985 to 48.2 percent in November 1986. This figure dropped significantly from the October 1986 Class 1 utilization of 53 percent.

November Order 4 Milk Set At \$13.30

ALEXANDRIA, Va. — Middle Atlantic Order Market Administrator Joseph D. Shine announced a November 1986 base milk price of \$13.30 per hundredweight and an excess milk price of \$11.89.

The weighted average November price was \$13.28 and the butterfat differential for the month was 17.5 cents. The base milk price was up 10 cents from October and was 65 cents higher than last November. The weighted average price was up 10 cents from October and was 71 cents higher than a year earlier.

The gross value of November producer milk was \$67.6 million, compared to \$64.3 million a year ago.

Shine said that producer receipts totaled 511.0 million pounds during November, a decrease of 1.7 million pounds from last

November, and the average daily delivery of 2,620 pounds per producer increased 63 pounds or 2.5 percent from a year earlier.

Class I producer milk totaled 246.3 million pounds and was down 2.3 million pounds or 0.9 percent from last November.

Class I milk accounted for 48.21 percent of total producer milk receipts during the month, compared with 48.49 percent in November 1985.

Base milk accounted for 91.58 percent of total producer milk receipts in November compared with 88.11 percent last year. The average butterfat test of producer milk was 3.84 percent, up from 3.76 percent last November.

Middle Atlantic Order pool handlers reported Class I in-area milk sales of 205.0 million pounds during November.

"This is the first time in several months that the utilization has been lower than the previous year's," Kirkland said. He added that the decrease from 1985 to 1986 was not significant.

Prices in Federal Order 4 continued the upward trend of previous months. The Class 1 price increased from \$13.88 in November 1985 to \$14.56 in November 1986. Dairymen experienced an increase of 77 cents for Class 2 milk and the blend price rose from \$12.57 to \$13.28 for the same period.

Dairymen in Federal Order 36 received an increase of 53 cents for Class 1 milk from November 1985 to November 1986; for Class 2 and 3 milk, prices jumped from \$11.19 to \$11.91. The blend price in the Order increased by 63 cents for the same period. Class 1 utilization increased by slightly over 1 percent to 58.5 percent in November 1986.

Cull cow prices registered an increase from \$32.80 per hundredweight in November 1985 to \$35 in November 1986, an increase of 6.7 percent, Kirkland said.

Total milk production in the 21 major dairy states, which produce 85 percent of the milk in the country, recorded a milk production of 9.5 billion pounds in November 1986 compared to 9.8 billion pounds in November 1985 for a 3.4 percent decrease in production.

In the reporting states, the number of cows fell from 9.3 million last year to 8.9 million this

year for a 4.4 percent drop. However, production per cow increased by 10 pounds from the previous year for an average of 1,058 pounds this year. This average is also down from the October 1986 production of 1,099 pounds per cow.

Pennsylvania recorded a 2.3 percent drop in total milk production for the same period, Kirkland reported. The number of milk cows in the state dropped from 745,000 in November 1985 to 735,000 in November 1986. This number remained constant from October 1986. Production per cow in Pennsylvania decreased from 1,130 pounds in 1985 to 1,120 pounds in 1986, he noted.

"In December we'll see even lower production which will carry through the year as more animals go off the market in the buyout program," Kirkland said. With the decreasing number of cows, there will be fewer calves and replacements in two years. This will result in a decreased potential to expand, he noted.

Kirkland speculated that few dairymen in the East will be willing to take on more debt even though milk prices are favorable. Pennsylvania dairymen are also reaching their limits in the number of cows they can add economically. In the Northeast, production will not increase, but the decrease will be slowed, he added.

Mandatory Supply Management

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even though the over-quota penalty is large.

If quotas were freely transferable or saleable and the program was not temporary, the quota would have considerable value, particularly if the penalty for over-quota milk was large.

The annual value of the quota would be capitalized over future years under these circumstances. The value of the national quota under the Canadian program in 1983 was estimated at more than \$2,800 per cow.

If there were equally profitable alternative uses of the dairy farm,

the quota could be sold separately from the farm without subtracting from the sale value of the farm. If profitable alternative uses of a dairy farm were limited, the sale of the quota separately from the farm would subtract an almost equal amount from the value of the farm.

Therefore, in some cases, the sale of quotas would result in a large windfall to the seller but in other cases it would not. The incentive to sell quota separate from the farm would be greater in areas with profitable alternatives to dairy farming.



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