

The Milk Check

TOM JURCHAK
County Agent



Cheese Prices Drop

Cheese price drops held off until the last week of January but then made up for lost time in catching up with butter prices that had been falling since November. By the first week of February cheddar cheese blocks were down to \$1.20 a pound falling from a high of \$1.33 in November for a total loss of 13 cents a pound.

The support price on cheese dropped only 2.5 cents from \$1.25 to \$1.225 on January 1 but by Feb. 6 the market price was below the support price.

Butter prices reacted in a more traditional pattern, starting to drop in November after the wholesale demand for the holidays began to fall. However, in that time they fell 18 cents from \$1.54 a pound to \$1.35 which was also below the \$1.38 support price.

If you're wondering why I even mention butter and cheese prices when everyone "knows" that farmers in this area are only concerned about fluid milk prices, it's because your fluid milk prices come from those butter and cheese

prices. And it doesn't make any difference if your handler is regulated under a federal or a state milk marketing order your class prices go back to butter and cheese. And it doesn't make a difference how tight the milk supplies are in your market it's the national averages for butter and cheese that call the tune for all producers.

That's why even now with fairly tight supplies in eastern markets, handlers making butter and cheese may be having a hard time making ends meet at such prices whether or not they are selling products to the government.

Fluid milk handlers don't have that problem. They have to compete only with other handlers in their own market and fluid prices can vary by \$3 a hundred between markets the same month.

Pricing Lesson

First you have to know that the average yield from a hundredweight of milk used to calculate support prices is 4.48 pounds of butter and 8.13 pounds of powder. Of, if you make cheese, than 10.1 pounds of cheese.

Right away you can see that a 5 cent difference in cheese prices has nearly double the effect on your milk check compared to a 5 cent change in butter prices.

For example, that 18 cent drop in butter prices between November and January multiplied by the 4.48 pounds of butter would drop the value of 100 pounds of milk by 80 cents. But the 15 cent drop in cheese prices from December to February multiplied by 10.1 pounds of cheese could cost you \$1.30 a hundred.

However, you're not going to see these drops in your milk check for a month or two because they have to get transmitted to the Minnesota-Wisconsin Price Series and from that to the minimum prices required by each of the federal milk marketing orders. That M-W price, plus some seasonal differentials, becomes the Class II price in most federal orders and the M-W plus a Class I differential, specified in each federal order, becomes the Class I price.

State orders also use the federal order price prevalent in the marketing area so all farm milk prices go back to butter and cheese wherever they are manufactured. That's why over-order pricing for farmers can be successful only on Class I prices because the handlers are competing on a local market—not a national market—and the supply demand situation can be very different between local markets.

Order 2 Prices

Having said all that, you can understand why the M-W dropped 18 cents in January to \$11.70 and why many felt the drop was a lot less than expected. Those cheese prices took the biggest cut in late January and didn't really show up yet on the M-W because that

reflects butter and cheese prices roughly between the middle of each month.

Those who said you wouldn't feel the 50 cent cut in the support price on January 1, because the M-W was \$11.88 in December and that was higher than the \$11.07 support price for 3.5 milk, also misjudged the price drops because you'll certainly feel it next month. But it does look good for your January check with the blend price in Order 2 at \$12.76, only 2 cents less than last month.

Your salvation came from that peak Class I price \$14.46 that came from your peak M-W in November. Now that's all behind you and next month you'll begin to feel the effects of those lower butter and cheese prices.

However, the \$12.76 for January was still 84 cents better than last year but the 25 cent assessment makes the "effective" price only 59 cents better.

One In A Million

The "one" is Pete Sandfort and the "million" is the dollars he brought to farmers who had been shipping milk to his Garden State Farms 10 years ago when the reorganization filed for incorporation under Chapter XI of the Federal Bankruptcy Act. Under the reorganization plan the farmers received 18 percent of the value of their milk sold to Garden State in September 1977. Additional funds were distributed from a bond held by the Pennsylvania Milk Marketing Board and from the Producers Settlement Fund of Order 2.

With the \$1 million returned last week to 330 farmers Sanfort says they have received from 75 to 80 percent of what was owed them.

The money came from the sale of personal property and repayment was not required under the terms of the bankruptcy settlement but Sandfort said: "I always hoped to repay them and now I'm in a position to distribute a million dollars to them." Like I said—one in a million.

Test Case

In an effort to reach independent milk producers individually to give them the opportunity to sign agreements for over-order pricing, Regional Cooperative Marketing Agency is mailing information and agreement forms to 600 independent producers in Lancaster County. The mailing was made on Feb. 9 and farmers were asked to return them by Feb. 20 in an addressed envelope that was included. The only investment they were asked to make was the 22 cent stamp to return their signed agreements.

Signatures on agreements should be the same names as those appearing on the milk checks from the handler.

Lancaster County farmers sell more milk to Order 2 handlers than any other county in Pennsylvania and those 600 independents represent a fourth of the 2,500 dairymen to be signed up in the state. If the response is worth the effort, it may be tried in other counties.

However, don't wait for a letter if you want to receive over-order premiums in the future.

Take the initiative now to get the agreement signed and mail it in. If you've already done that, help your neighbors by informing them of the opportunity. There are many who still don't understand the reasons or the need for over-order pricing.

EMHERR EVERYDAY LOW PRICES

Dedicated To Serving The Farmer

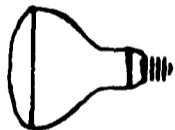
BROODER LAMP

10½" reflector, has porcelain socket. No BJ204



\$4.49

HEAT LAMPS

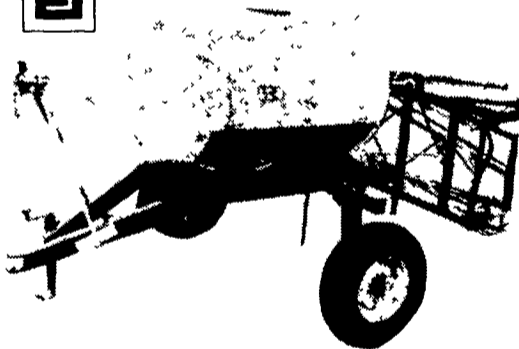


125W, Clear
\$1.29

250W, Clear
\$1.29

250W, Red
\$3.49

SUPERIOR/CAMPBELL SPRAYERS



500 Gal. Sprayer w/42' Boom

Reg. \$1,899

SALE \$1,599
Set Up
Less Pump & Tires

Other Sizes Available

TRUCK LOAD SALE

"We will not be undersold in tanks"



RUGGED POLYETHYLENE

VERTICAL STORAGE TANKS

Super Saver Prices

Gal.	Sale Price	Gal.	Sale Price
425 p/u	\$179	1550	\$449
1050	\$369	2200	\$699
1250	\$409		

Also Available:

- Horizontal Tanks - 110, 150, 200, 300, 400 & 500 Gal.
- Fertilizer Solution Hose, Ball Valves, Quick Couplers, Pumps

TILLAGE BONANZA



O.E.M. Tillage Comes With Bolts & Nuts

Long Wear Rock Shares:

14" \$7.49 ea. 16" \$8.49 ea. 18" \$9.49 ea.

Disc Blades Precision Sharp Edge

Diameter	Gauge	Sale Price
18"	11	7.99
18"	9	8.99
20"	9	10.99
20"	7	13.99
22"	7	17.99
24"	¼"	29.99

Shins: all in stock
Now Only **\$5.99 ea.**



Moldboards: IHC, JD

14" \$38.99 ea.
16" \$41.99 ea.

Twisted Chisel Spikes

3"x½"x23" Right-Left
\$6.79 ea.



Where in earth could you use

ADS?

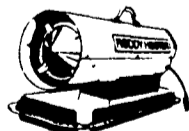
DRAINAGE PIPES

- Wet Spots
- Curing Erosion Problems
- Poor Yielding Crops
- Hillside Seeps
- Terrace Drainage
- Root Development
- Water Table Control

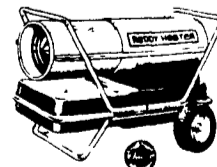
REDDY HEATER® High-Output Kerosene Heaters

5 Models To Choose From

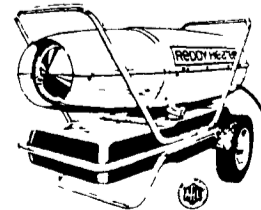
35,000 BTU
\$149



50,000 BTU
\$179



70,000 BTU
\$219



100,000 BTU
\$279

PRICES EFFECTIVE TILL FEB. 28

EMHERR

Farm & Home

RD #1 - Rt. 272 So.
Willow Street, Pa. 17564
Ph: 717-464-3321 or
800-732-0053

Your One Stop
Hardware -
Farm Supply
Store