

Is Component Pricing For You?

BY MARY MAXWELL
Centre County Correspondent
BELLEFONTE — Ron Houtz wants a bigger milk check and he wants it consistently.

The Centre County dairyman claims that only component pricing of his Jersey milk with its high solids of protein and butterfat will allow his herd to reach its potential earnings in the marketplace. In a component pricing program, farmers earn premiums for improved quality and protein level.

Houtz, like most color-breed dairymen, is outnumbered by Holstein farmers who make up 90% of Pennsylvania's milk producers. But many Holstein producers who have high-protein producing herds, also feel that component pricing is an advantage. However, advocates of this policy have not been able to influence their co-ops and marketing organizations.

"Organizing is the answer," says David Kitt, Field Service Manager of United Dairy Cooperative Services in Syracuse. He cites the example of four small co-ops near the Pennsylvania-New York border who, along with the

Jersey Cattle Club, drew up a marketing contract with Detrich's processing plant based on component pricing. This means that milk which goes to the southern New York plant is tested for the level of milk solids and premiums are paid accordingly. The Detrich plant uses the milk to manufacture the powdered, whole milk needed by the M and M Mars and Hershey companies to make milk chocolate. These dairymen organized and got a favorable marketing plan, even though Detrich's also buy other farmer's milk under the usual marketing plan.

Farmers who consistently sell their milk to cheese plants often have the component price option since cheese yield is directly related to the protein level in the milk used. But it is dairymen like Ron Houtz, an Eastern producer, who do not consistently find their milk being sold to component-pricing outlets. A great deal of the time, Houtz's milk goes to a large bottling plant in New Jersey which is not interested in paying a premium for high protein levels. It is

only when his milk goes to the Leprino-run cheese plant in Waverly, N. Y., that Ron Houtz's check contains the 10 cents/cwt. upfront plus improved quality and protein premiums.

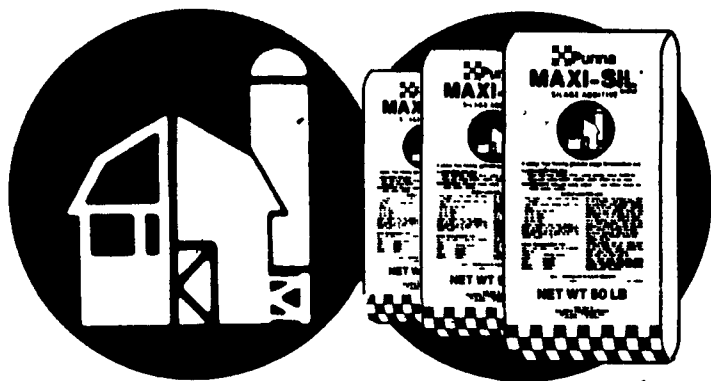
Blair Smith, Extension Ag Economist at Penn State, says that the location of the milk producer may affect his options. In Houtz's case, his Jersey herd is relatively isolated in Centre County so that he has less opportunity to combine his high protein and butterfat milk with other similar producers to sell at an improved price. If the Houtz farm were in Ohio, western Pennsylvania or western New York, component-pricing outlets would be nearer. Unfortunately for Houtz, he is located on the western edge of the fluid milk market.

Smith and Houtz both see an improvement in marketing options ahead, however. With the trend toward increased consumption of milk products, both men feel that component pricing based on protein level will become more common in the near future.



Centre County dairyman Ron Houtz (right) and his son Ed discuss their DHIA records while looking over their Jersey herd. Houtz is an advocate of component milk prices.

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30 YEARS AGO THIS WEEK

- Total drought damage this year is estimated at \$12,050,331 by County Agent Max M. Smith in a special report released Monday.

This would be a loss of about 32 percent from the bumper crop of 1956 and 40 percent of the value of the 1955 crop.

Smith based his figures on an average of the 1955-56 crops, which would make the overall loss about 35 percent of normal.

Hardest hit, according to Smith, is the silage crop which is cut 50 percent. At a 40 percent loss are corn, hay, pasture and potatoes; 30 percent of the value of the tobacco crop is lost; a third of the vegetable crop, a quarter of the oat crop; a tenth of the fruit crop.

- Now Is The Time... To Deter-

mine Forage Needs... To Prepare For Winter Oats... To Beware Of "Silo Filler" Disease.

- Governor George M. Leader said this week that although formal requests from Bucks, Montgomery, Berks and Chester Counties for federal drought aid have not reached his desk, that he can "in good conscience recommend Federal disaster aid."

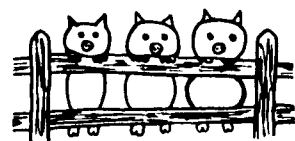
"As a man who has spent most of his life on a farm, I think I know a little about what farmers believe. The farmers we talked with on this trip are typical of farmers throughout the State. They make a habit of standing on their own two feet, with reliance in themselves, and they don't ask for any kind of help unless they really need it," the Governor added.

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