

Economists Say Milk Production Headed Up

STRONGSVILLE, OH — The direction of U.S. dairy policy remains hazy. But economists agree on one point — milk production is headed for an increase. U.S. Department of Agriculture's dairy division, relayed this economic forecast to more than 250

dairy producer delegates during the annual mid-year meeting of Milk Marketing Inc. (MMI).

said that increased consumption would not be able to absorb the expected rise in milk production.

Despite the fact that total U.S. milk production in 1987 is down from a year ago, Coughlin said that a plentiful number of herd replacements, strong milk output per cow and favorable milk/feed prices ratios indicate that the nation's milk production trends will move upward.

Furthermore, Coughlin said that the most significant impact of the whole herd buy-out on milk supplies and cattle resources has already been felt.

"Approximately 100,000 (from a total of 930,000) dairy cows remain to be disposed of under the buy-out program with calves and heifers going to market ahead of that. Consequently, we can say that the major impact of the program has already been felt," said Coughlin.

Such factors could help to trigger the Jan. 1, 1988 reduction in the milk support price mandated by the 1985 Farm Bill. The Farm Bill calls for a 50-cent per hundredweight price cut if the USDA projects Commodity Credit Corporation (CCC) purchases of dairy products to exceed 5 billion pounds of milk equivalent.

"The law doesn't say that the secretary of agriculture may make the change, it says the secretary shall enforce it," said Coughlin who estimated CCC purchases for this fiscal year to range between 5 and 5.5 billion pounds of milk. (Purchases from January through June of this year have totaled about 4.3 billion pounds — that's a drop from 9.4 billion pounds in 1986.)

Coughlin said that commercial use of dairy products is probably the brightest story on the dairy horizon. In the first four months of 1987, commercial disappearance of total milk increased 3.6 percent over the same period last year — a 13.9 percent increase since 1983.

Despite this strong growth in product disappearance, Coughlin

MMI General Manager Gordon Riehl echoed Coughlin's production forecast and discussed price and policy outlooks.

Riehl projects that the 50-cent drop in the milk support price for Jan. 1, 1988 is fairly certain. He reminded producers that, on Oct. 1, 1987, the 1985 Farm Bill calls for the removal of the 25-cent dairy termination program assessment, and the enactment of a 25-cent milk support price cut. Those measures will counteract each other and, in fact, not affect the current milk support price.

Regarding dairy policy, Riehl said that any legislative changes prior to the upcoming election would be budget driven and that inclusion of a supply/management type program for dairy is highly unlikely.

Riehl said that MMI will continue to support the re-enactment of a whole herd buy-out program because it was directly effective in lowering production. However, he added that farmers should not expect such legislation.

"Lowering milk prices is not an answer to milk production. If we try to push cows out by price alone, we also push a lot of farmers out of business. The whole herd buy-out efficiently lowered production by getting directly to the problem of too many milk cows, and it went down a generation or two and removed some unborn calves and young stock," said Riehl.

The program added an estimated 25 to 30 cents per hundredweight to producer pay prices.

MMI is a 7,500 member dairy farmer owned cooperative encompassing an eight state midwestern area including Ohio, Indiana, Pennsylvania, Michigan, New York, Maryland and West Virginia. Last year MMI marketed more than 4.5 billion pounds or 523 million gallons of milk.

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1,000	4'0"	10'8"	7	1,266	\$890.00
2,000	5'4"	12'0"	7	1,914	\$1,305
3,000	5'4"	18'0"	7	2,657	\$1,745
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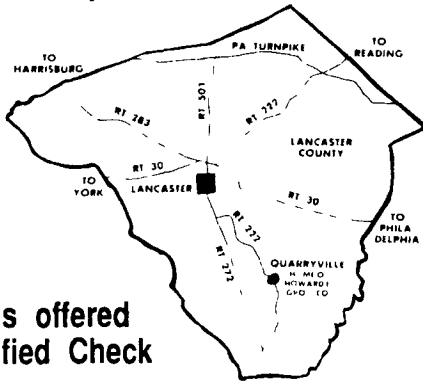
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