

Dairymen Facing Federal Budget And Support Price Cuts

BY JOYCE BUPP
York Co. Correspondent

GETTYSBURG — Milk production nationwide has dropped nearly 12 billion pounds and government purchases are close to 5 billion pounds, the trigger level on which a legislated price support cut on January 1, 1988 will hinge.

But, says Fred Butler, president of the Middle Atlantic Division of Dairymen, Inc., production is already climbing in some dairy-intensive states, with October production in California up an estimated 12 percent.

Butler reviewed the rapidly-changing dairy production picture during his president's report to nearly 300 members and guests attending the division's annual meeting, held October 23 at the Gettysburg Sheraton Inn.

"Projections are, today, that we will most likely get a cut on January 1, which is supposed to be 50 cents," Butler noted. "In my opinion, the 5 billion pound figure is so close that we could get a 25-cent cut in the support price on January 1 and again on July 1, if overall production starts to climb."

In addition, agriculture is facing \$1.3 billion in proposed budget cuts under the mandated federal deficit reduction of the Gramm-Rudman-Hollings legislation. Dairy producers could face a 4 to 6-cent per hundredweight assessment to fund their share of that mandated budget cut.

Still, producers have recently seen more positive prices, with Dairymen's Middle Atlantic members receiving as much as ten cents per hundredweight over the Federal Order 4 announced price during the past five months.

Some \$7 million of equity will be revolved to the 6400 members of Dairymen on December 1, Butler added, even while the Louisville-based cooperative's five-year equity revolving program has been extended by board action to a six-year plan, to maintain desired equity levels.

Some Middle Atlantic division members have added as much as an additional 60 cents per hundred to their price, through Dairymen's

Fall Incentive Plan, according to division manager John Collins. An average per hundredweight increase, through the incentive to produce milk when it is most needed, has been 7 cents. Dairymen's board has voted to extend the Fall Incentive program through at least 1988.

Collins lauded dairy producers in the Federal Order 4 area for efforts which earned members of the Middle Atlantic Cooperative Milk Market Association (MACMMA) an over-order premium of 21 cents per hundredweight for September production.

Appreciation was extended to members for high quality milk supplies being produced in the

Middle Atlantic division, and to employees whose efforts have resulted in profitable supply and equipment operations.

Addressing Dairymen's regional and corporate picture were regional manager John Reynolds and chief operating officer Jim McDowell.

Reynolds also cited changing market conditions in the industry as being, "as out of control as the weather is." Assessments, diversions, falling support prices, and the Federal Land Bank's financial problems are all changes which have played havoc with milk price stability, dairy producer income, and dropping production volumes.

McDowell reviewed dairy-

related legislative proposals under consideration by Congress and the trade and budget deficiencies burdening the nation's economy.

While milk production shows some indications of an upward trend, the Dairymen operation's officer isn't predicting a production explosion. Present favorable feed costs may only be short term, and producers are using improved income levels to pay down debt, rather than invest in new equipment, cattle and facilities.

McDowell also briefed members on Dairymen's signing of a letter of intent to joint venture the Flav-O-Rich subsidiary's fluid processing facilities with those of the Borden company.

"We must meet the economic needs of the members if a cooperative is to stay in business," said McDowell. "The alignments with other companies, the diversification with other businesses, must happen for long-term returns, while still maintaining farmer control."

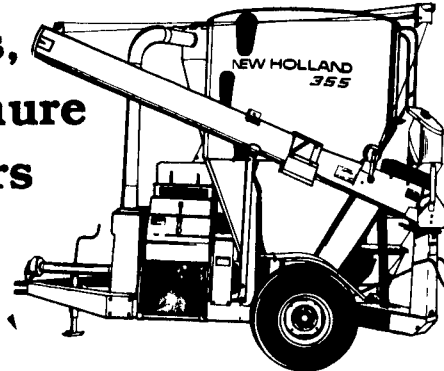
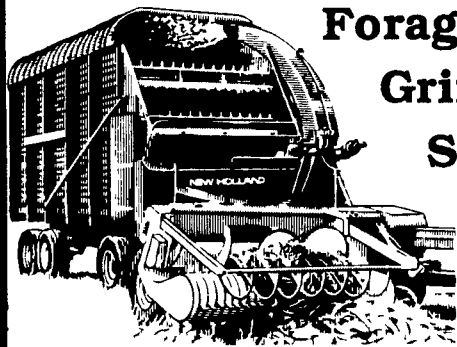
During the business session, members ratified the election of six directors to the division board. Renominated and ratified for three-year terms were, Marlin E. Martin, District 12; Jesse I. Burall, District 4; Paul R. Waybright, District 13; Joyce A. Bupp, District 7; Harry W. Hummel, District 11; and Albert H. Mellinger, District 14.

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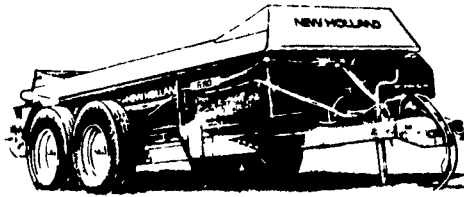
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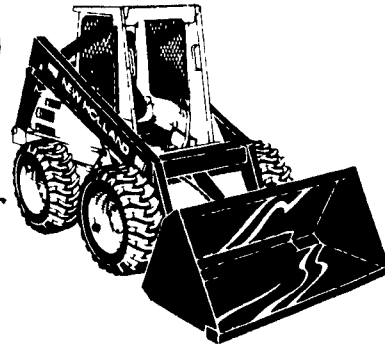
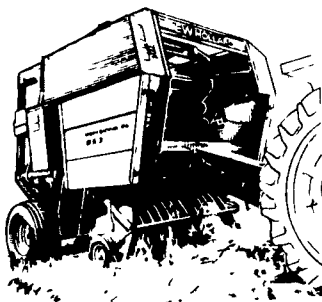
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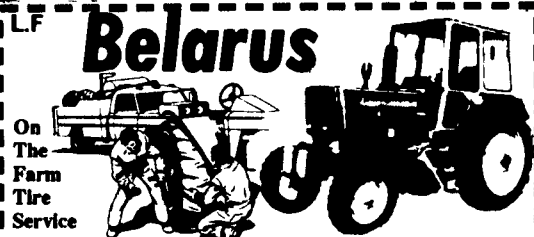
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