

Milk Market News

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SCRANTON (Lackawanna) —

While the weatherman provided some relief from drought conditions, Congress did somewhat better, although all farmers were not entirely pleased with either performance. The rain finally came but for some crops it was too late and for others it was too much. No one, however, was getting much relief from the heat that seems to have become a permanent part of the environment for another month.

More weather related problems or blessings are still possible while we're only half way through the growing season so total damage assessments are still a long way off. However, because disaster struck early in the season legislation had to be enacted with the information available to set the bureaucratic machinery in motion. As usual it will require a lot of interpretation and regulation writing to implement the intent of Congress. This will take some time for USDA and a lot of patience for farmers but you can bet that, administratively, there will be a lot of pressure to get the program working as fast as possible.

One of the problems for dairy-men may be that the new legislation calls for replacement of the current Emergency Feed Problem and the Emergency Feed Assistance Program. This would mean that new programs and procedures would need to be developed rather than building on existing programs. It is in this area that many are concerned that the new legislation doesn't provide equitable relief for producers who produce much of their feed compared to those who

produce all of it. Only time will tell but there seems to be enough discretionary leeway in the bill for USDA to accommodate both types of producers. It may even happen that the new programs will resemble the old ones but under new names and hopefully with improvements that will make it fair to most producers.

Crop Losses

It's in the area covering crop losses that the new legislation devotes most of its efforts. Besides giving special consideration to losses in the price supported crops, the legislation covers all non-program crops including losses of tree seedling planted in the last two years. This means that there will be disaster payments available to producers of nearly all annual commercial crops when they suffered at least a 35 percent loss this year because of the drought. Thirty-five percent of what may still be a question but at least all crops are covered.

Some crops such as hay and corn still have a long way to go before you can determine total losses because it is more likely to be an average for the farm rather than losses on individual fields. However, if there are losses you've already had you should document them with as much evidence and information you can get. This is especially important if you choose to "abandon" a field because it was a near total loss and perhaps replant it to another crop. This may include soil conserving crops to prevent erosion over winter. It's also important to document the yields of crops that you got in the past over as many years as possible in terms of pounds, tons, bushels or

any other significant measure. Some yield appraisals may be needed where corn, planted for grain, is now going into corn silage. Some crops such as small grains have already been harvested and this information can be compiled now. Even for dairy farmers growing fruits and vegetables commercially the harvest season may be over and losses must be documented. County ASCS offices are already gathering this kind of information from producers so call if you have questions about harvested crops or crop failure fields. They may want you to leave a representative strip of the original crop for evaluation but if you can take pictures of the entire field it would be helpful. However, don't assume losses without ASCS confirmation.

Support Price

To many producers and some organizations the changes in milk price supports were disappointing. Everything from \$2 increases to starting another diversion program were among the proposals. However, Congress felt they had to keep total relief costs low to avoid triggering the Gramm-Rudman law and the resulting assessments on milk. The bill maintains the present \$10.60 support price through March of next year when it will be increased 50 cents during the spring flush from April through June. The question is will we have market prices for manufacturing grade milk above the \$10.60 from declining production brought on by the heat, the drought and increasing feed prices? The Minnesota-Wisconsin Price Series already has increased to \$10.53 for

3.5 milk in July and the heat wave is still on.

Milk Marketing Board

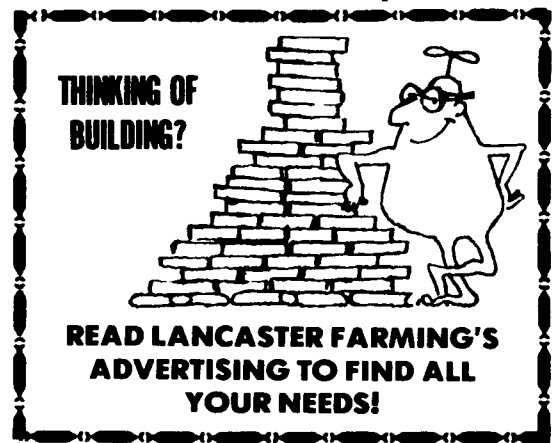
The Pennsylvania Milk Marketing Board provided more immediate milk price increases for both the farmers and the consumers. Increases ranged from six cents a gallon in eastern areas to 12 cents in the west on the retail price. This meant 69 cents to \$1.39 a hundred on Class I milk at the farm to go from September through February. There's no question about the retail price increase but getting the money back to the farmers may be more complicated. This is especially true here in the northeastern counties where most of the milk is priced at the farm under the New York-New Jersey Federal milk marketing order.

The PMMB increases are essentially over order premiums of the same kind that RCMA has been trying to provide through producer membership and negotiations. In other federal order markets in Pennsylvania the cooperatives may have enough supply control to get additional premiums from handlers. In Order 2 only RCMA is in a position to do this but producers have not joined in sufficient numbers to make it work as effectively as it could. Pennsylvania farmers ship only 25 percent of the

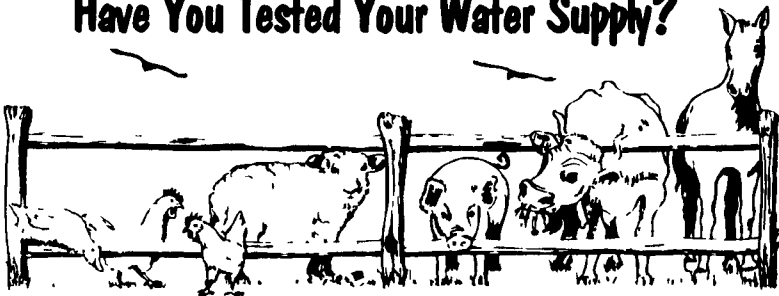
milk in Order 2 and only about 12 percent of all the Pennsylvania milk is priced at the farm by PMMB. In addition many Order 2 handlers are already paying premiums at the farm higher than those stipulated by the PMMB but there have not been uniform premiums from all handlers in Order 2. The supply-demand situation in the northeast warrants higher over order premiums as long as handlers can't move between markets to get milk at lower prices but Order 2 producers will need enough membership in RCMA to keep pace with Order 1 and Order 4 in over order premiums.

Order 2 Prices

That increase of 18 cents in the M - W and no take out for the Louisville Plan will make your July check 35 cents a hundred better than June. That's still 65 cents less than last year and that's where your over order premiums are important to cover increasing costs. The blend price of \$11.31 in Order 2 and the \$10.52 on the M - W started the seasonal price increases that come with production cuts this time of the year. How high prices will rise or how far production will drop will have to wait for a better fix on the weather and the crops.



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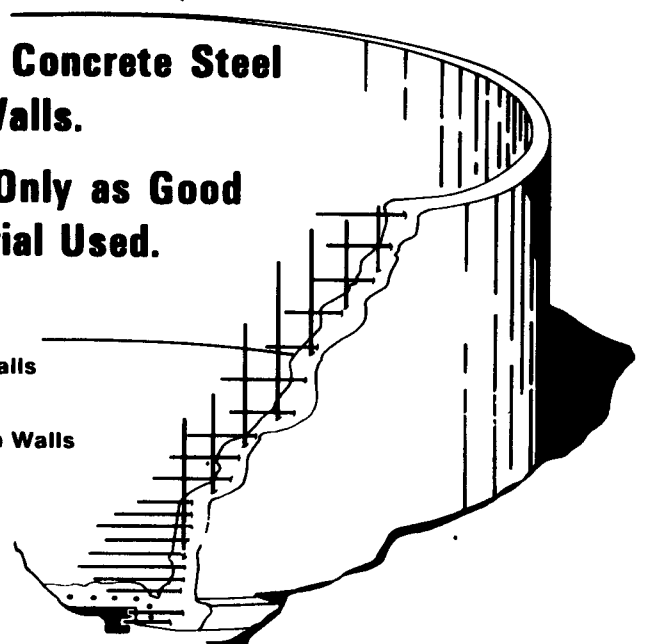
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