

Dairy Management Column

BY TOM JURCHAK
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Blastoff

SCRANTON (Lackawanna) —

Fueled by higher prices for powder and cheese the Minnesota-Wisconsin Price Series finally ignited and went into orbit jumping 46 cents in August to a yearly high of \$10.98. From a low of \$10.33 in April it took three months to gain 19 cents, but now it finally got off the ground. There hasn't been a single month's increase to match this in the last ten years, at least, and there's more to come. This is the highest M-W since December and 65 cents over the support price of \$10.33 for 3.5 milk.

It wasn't the drought that brought the higher prices as much as the increasing demand for cheese. Production in the two state area was as good as last year and the out of state demand was up only slightly. One thing that the hot weather did was to lower the fat and solids in the milk so cheese and butter yields were low. With better yields the M-W may have gone up as much as 60 cents, according to some analysis. Monthly averages on cheese prices have increased 12.6 cents from May to August and were up another three cents in September and still climbing. At \$1.30 a pound cheese prices are now 15 cents above the support price.

Powder prices are up 5.5 cents

from their spring low and are now nearly six cents above the support price. Higher export prices have accounted for most of the increases in powder prices. Butter has gained less than powder and cheese but still managed to go three cents above supports last month. It has lost some ground in September and may have peaked already.

All of this is reflected in Commodity Credit Corporation purchases that have nearly disappeared. Butter purchases the first week of September were the lowest in six weeks. Cheese purchases were the lowest in nine years and no powder has gone to CCC for the last two months—and it's only the middle of September. The drought really hasn't begun to take its toll on milk production. Nationally you produced slightly more than last year. Of the top five dairy states only Pennsylvania and Minnesota were lower. However, it's expected that production will drop below last year's level until the benefits from the Disaster Assistance Act begin to flow back to the farm.

In Order 2

In order to appreciate the effect on your milk check of a 46 cent increase in the M-W you're going to see a blend price for August milk in Order 2 of \$12.03 and that's 72 cents higher than July. Again, the biggest increase you've seen in 10 years. But only half of it came from the M-W. In August

you got your first pay back from the Louisville Plan and that was 35 cents or about half of your 72 cent increase. The other half came from a 53 cent jump in the Class II price that did come from the M-W. The Class I price will increase in October when it goes to \$13.53. However, while you've made some outstanding gains this month you still haven't closed the price gap from last year. The \$12.03 is still 41 cents less than last year but that's better than the 65 cent difference in July. The best news is that prices have finally taken hold and there's more to come in the months ahead.

Drought Aid

Also to come in the months ahead are the benefits from the Drought Assistance Act of 1988. Latest USDA crop reports indicate that, nationally, loss estimates this month are nearly unchanged from August so the worst is behind us and in some regions production is better than expected. However, the relief machinery is already in motion and county ASCS offices are ready to talk especially. If you have crop losses that need to be documented or verified while the evidence is still in the field. When in doubt, call. There are actually three different programs in the Act that relate to milk producers and you should be aware of all of them to providing help this winter. No program is perfect and none of

them are designed to replace all your losses but only to help you maintain your herd to the next growing season.

Three Way Stretch

There will already be three different programs available but you need to understand each of them because there are payment limitations that cut across all three programs.

The Drought Aid program deals only with crop losses and covers every crop from corn to forest trees. Not all of the regulations are in place for this part of the program. Price supported crops like corn and wheat are pretty well covered but more work is needed on non program crops like hay and vegetables. However, that's no reason to ignore it because you still need to know what information ASCS will want to verify your losses and what records they need from you on past production of non program-crops. Such losses can cover about everything that's weather related not, only losses from drought and losses will be covered for each crop.

The second program is the Emergency Feed Program which will consider your total feed supply both raised and purchased and balance that against your minimum needs to maintain your herd. The difference will be made up in payments you can use to buy additional feed. The third program is the Emergency Feed Assistance Program that is somewhat similar

to the Emergency Feed Assistance Program that is somewhat similar to the Emergency Feed Program except that in place of feed payments you can buy feed grains at 75 percent of the county loan rate delivered to the farm.

Regulations on the feeding programs are completed and ASCS can give you the details. Explore all three programs and decide what best suits your needs within the payment limits.

PMMB Authority

The Pennsylvania Milk Marketing Board sent out a letter to all handlers clarifying their authority to set prices of Class I milk. The Board can set minimum prices for Class I milk produced in Pennsylvania and sold to handlers located in Pennsylvania whether or not those handlers are regulated under federal orders. If you think about it, that can account for much of the variation in over order premiums we will see in the northeastern counties. Nearly all of the Order 2 plants buying milk here are located outside the state and are not included. Plants located outside Pennsylvania but selling milk here would have the best deal or plants located here but buying out of state milk would also benefit. Of course, the mere fact of mandated over order premiums to producers shifts the whole pricing scene so all handlers will be affected to maintain their supplies.

However, the problem remains of how to get comparable premiums for milk shipped to out of state handlers and what happens after the PMMB premiums end in February. PMMB prices for Class I milk in October is now the \$14.73 compared to the Order 2 price of \$13.53 that month. That's even higher than the \$14.45 target price set by RCMA and MCMMA last year. If it works then we're back to the original idea when RCMA was first organized—why not have it for everyone if they are willing to participate in a cooperative? The PMMB premiums are for drought relief and could disappear in the spring but something more reliable could take their place if Order 2 producers are willing. Many are already tempted by high premiums to jump in the fire but may be trying to get back in the frying pan when market conditions change.

Allflex Begins Producing Ear Tags In Texas

DALLAS, TX. — Allflex/Industrial Thermoform, the newest member of the Allflex Group of Companies in North America, has begun full production molding of livestock identification eartags for Allflex/Vet Brand, Inc. Mike Scott, Allflex technical director, recently certified the tag production at Industrial Thermoform meets the Allflex high standard of quality.

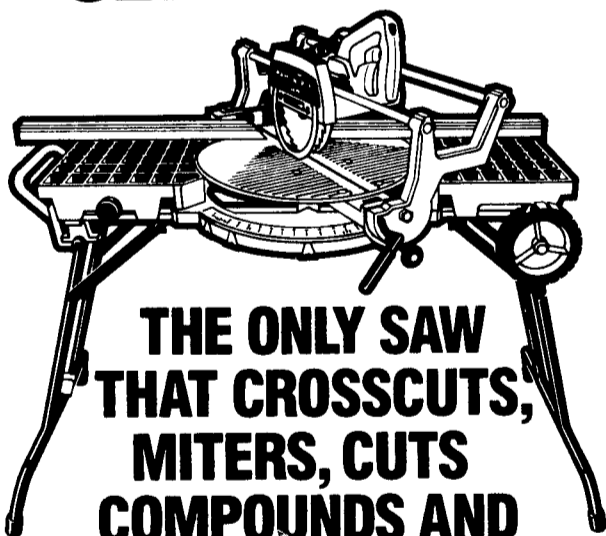
Established in 1972, Industrial Thermoform fast earned the reputation as a specialist in custom injection molding. With high tech equipment on site, and more to come, the newly acquired company will supply Allflex/Vet Brand with substantial inventory for the North American market.

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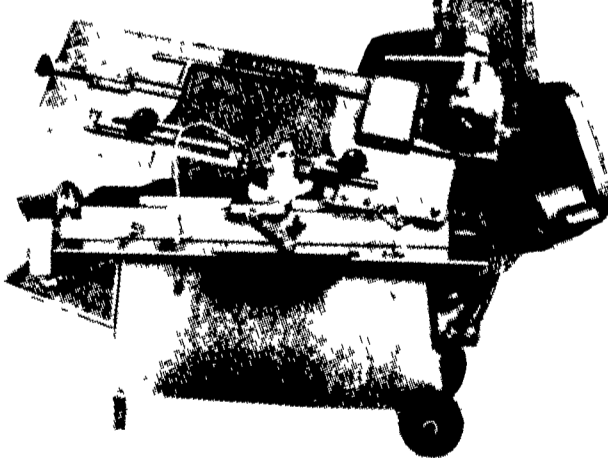


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