

MILK MARKET NEWS

LACKAWANNA (Scranton) — This year dairy farmers should have no trouble convincing their children — or grandchildren — that there really is a Santa Claus when they see the numbers on their December milk checks and know that they will go even higher in January. All of that because of another jump in the Minnesota - Wisconsin Price Series to \$12.23 in November. That's another 35 cent increase in addition to the \$1.55 you already got making a total of \$1.90 worth of increases since April and \$1.71 of that coming in the last five months.

Cheese and butter prices haven't changed since last month with butter still selling at two cents under the support price and cheese at 17 cents over supports. At least they're holding steady without any cuts as the distribution pipelines get filled up for the holidays. Milk production, on the other hand, keeps going up and is now two percent over last year and heading for a new record by the end of this year. Non fat dry milk powder prices are still on the increase because of the same export opportunities they've enjoyed for several months. Now powder prices are 16 cents over the support price with no Commodity Credit Corporation stocks to slow them down. Right now it's only the powder price that continues to exert a demand pull on the M - W but the question is — how long can it last?

Most of the people who work at forecasting dairy prices underestimated the 35 cent increase in the M - W last month and so far I haven't heard any estimates for December. Part of the problem is the difficulty of predicting the reaction in other countries to the rising international price of powder as well as changes in the value of the dollar which may be even more important. Since the increases of the last six months have surprised many people it's very difficult to predict how long they will last. My only advice is — don't spend all of your money on Christmas presents.

Unique Situation

The whole dairy marketing situation is so unusual right now that I haven't found anyone who has seen anything like it in the past. So don't be too critical of the forecasters who are expected to come up with predictions at this time of the year. Never before have we had a rising M - W price with no CCC stocks to "stabilize" market prices. Never before have we had an M - W \$1.90 over the support price and still accumulating surplus CCC stocks. In this case, butter is the problem with uncommitted CCC inventories double what they were a year ago. Never before have we been able to capitalize on production quotas in Europe that helped to open up foreign markets for us. Never before have we seen such a wide spread between butter and powder prices with butter prices falling and powder prices increasing. If we could only make powder without making butter.

While it's not unique it's very unusual to have cheese prices higher than butter prices and milk production per cow increasing at a two percent rate when the milk price - feed price ratio was down to 1.34 compared to 1.65 a year ago. This in spite of a drought in some areas during the growing

season. It will be unusual to have a record high milk production year with cow numbers the lowest in 25 years, at least. So, with all these unique and unusual situations it's no wonder that outlook reports from government and industry are being rewritten monthly as new information is pumped into the system that produces the predictions we use for future guidance. However, the most important "unusual" situation is Congress writing the dairy provisions of a new farm bill when milk prices are on the rise and CCC stocks the lowest in ten years. They could interpret this to mean the system is working so if it ain't broke don't fix it. And who could blame them. When Secretary of Agriculture Richard Lyng spoke at the annual meeting of the National Milk Producers Federation recently, he suggested that producers voluntarily give up the 50 cent increases in the support price for three months next spring that was written into the Drought Assistance Act. He reasoned that you won't need it anyway because of higher market prices and it would give you a great bargaining chip to negotiate a kinder and gentler dairy program in the farm bill next year. With the General Accounting Office viewing the present dairy market as a good opportunity to dump the milk price support program, some feel that the Secretary may be right but so far we haven't found anyone to "bell the cat." Just another unusual situation.

Annual Meeting

This month the Regional Cooperative Marketing Agency with 22,000 members held its second annual meeting and that in itself is significant because some people were laying bets that the first annual meeting would be the last. More significant at the meeting was the impression of a vigorous, determined organization that had corrected many procedural problems this year and was clear about its efforts and goals for the year ahead. It's record of \$34 billion in over order premiums since September 1987 at a cost of only 1.5 cents per hundred of milk to its members; its increasing membership at a net rate of 46 independent dairymen per month (31 more were approved at this meeting); an addition of eight more cooperatives with a total of 778 members and 539 million pounds of milk; the increase in staff from three to 13 to improve member services, accounting procedures and legal counseling; the adoption of bylaw changes to reinforce the principle of no dues or assessments of members and finally the accumulation of a tax free contingency fund of \$908,000, were all signs of an organization that was here to stay. However, it recognizes the problem that only 500 producers are severely limiting its growth and benefits but is confident that it will be resolved in the future. All of the incumbent officers were re-elected and only one change was made on the executive committee indicating a member satisfaction with their past performance and giving the present administration another year to continue its work.

Bottom Line

So, with all that good news about the highest M - W price in three years caused by a demand pull on cheese and powder prices what will be the numbers on the milk check that will prove there

really is a Santa Claus? You'll have to go back to January 1985 to find a blend price in Order 2 to match the \$13.18 that you'll get for November. That's a \$2.52 increase since June of this year which was the lowest month since July 1978. Rarely has there been such a large increase in such a short time and it all came from the market price and not from support

prices. Compared to last month November was only 24 cents higher but there was a 17 cent difference in your Louisville Plan pay back so the market price was actually 41 cents higher. That came from a 35 cent increase in the Class II price from the November M - W and a 40 cent increase in Class I price from the September M - W price. By January the

Order 2 Class I price will increase another 75 cents to carry you into the New Year to pay for the presents so have a Merry Christmas.



**Northeast
agri
systems**

and

CHORE-TIME®

*Would Like To Extend Our Warmest Wishes
To Our Farming Community
For
A Joyous Holiday Season
And
A Happy, Healthy and Prosperous Year*



**Glory to God
in the highest**

To Our Friends:

The year 1988 has almost come to an end and we again need to remember our valued friends who have been so loyal to us this year.

It is with joy that we look forward to Christmas and again remember that God sent His best to bring light and Salvation to man.

The friendship of those we serve is the foundation of our progress and we sincerely wish to express a special Holiday Greeting of health, happiness and a successful 1989.

May the true Glory of Christ be in your Christmas Season and be a part of your experience throughout the New Year.

Yours truly,

RIGIDPLY RAFTERS, INC.

701 E. Linden St.
Richland, PA 17087

