

# Milk Market News

Lancaster Farming, Saturday, May 27, 1989-A35

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What Goes Down

**SCRANTON (Lackawanna)** —

The Minnesota-Wisconsin Price Series, that had dropped \$1.29 in three months from \$12.27 to \$10.98 responded to the 50 cent change in the support price on April 1 with an increase of 11 cents to \$11.09 for April. That's not 50 cents but it's more than most forecasters had predicted. Remember, this is only a three month increase in the support price during the Spring flush and will drop back 50 cents on June 30. With inventories generally adequate, buyers of storable dairy products might have been expected to wait it out rather than bid up the price now. That didn't happen and all during April and into May, began improving especially on barrel cheese. That price in early April was \$1.14 a pound and now has advanced five cents to \$1.19 well over \$1.16 the new support price. Block cheese prices were much slower to start increasing and didn't make their best gains until May but are expected to exceed the \$1.20 support price this month.

Powder prices also advanced last month from 79 to 81 cents but larger increases are expected this month to match the world prices that now range from 81 to 90 cents. The new support price for powder is 79 cents but the market

was never below that level since last September. Butter is still going nowhere with the market price one cent under the \$1.32 support price. Even so, the April M-W at \$11.09 is 26 cents above the new support price of \$10.83 and 76 cents better than last April.

## Cheer Up

So, there's the bright situation you were hoping for to cheer you up after all that rain that kept you out of the fields for most of May. It's no substitute for Spring plowing and planting but enjoy it while you can. You may be disappointed that the M-W increased only 11 cents in April but all the market signs seem to be pointing to better prices in May and June. And when was the last time you saw product prices increasing in the Spring? Not since 1980, the last year you were enjoying a support price of 80 percent of Parity with adjustments going up every six months in October and April.

## More

### Disappointment

If you were disappointed with the 11 cent increase in the M-W you'll be even more disappointed with the 36 cent drop in the Uniform Price in Order 2 in April. Here again, however, the estimates were much lower than the \$11.59 you got mainly on the strength of the higher M-W that gave you a seven cent increase in Class II milk which was over 62 percent of the pool in April. Your

Louisville Plan take out increased 10 cents this month so the change in the market price was only 26 cents less.

You also have to understand the lag between wholesale market prices of butter, powder and cheese has to be reflected to the M-W price before setting the Class prices handlers pay in Federal Orders. Even then there's an additional two month lag on Class I prices so the increases you find in your milk check will come some time after an increase in the support price or the market price and will continue after the decrease. I keep referring to market changes in the product prices each month so you'll know what to expect in the future -- whether it's good or bad news. This month the future outlook -- for a few months, at least -- is good even though you won't see it in your milk check this month.

## Cheer Up, Again

What you will see in your milk check this month is a price that is 67 cents higher than last April. The difference had been dropping each month from 92 cents in January to 66 cents in March. Now it will start back up for the rest of the Spring and Summer months. And that in spite of the fact that milk production continues to increase over last year's record high even with higher feed costs. Production was higher nationally in March by

two percent; higher in Order 2 by nearly four percent and higher in Pennsylvania by five percent. How long this will last is hard to predict without knowing what the weather will be this summer, but from last year's experiences feed prices will have to go higher or milk prices lower to slow down production.

## Thank Cheeses

According to USDA's Outlook and Situation report, increasing demand for cheese may be able to absorb the increasing milk production but that's assuming the increase will stay at two percent. What appears to be more encouraging each month is the world demand for powder that has maintained a steady increase for eight months but no one wants to predict how long this will last. Until last Fall we've never been able to compete in world dairy markets because of our high support prices. Even now the world price of butter is 81 to 88 cents compared to our support price of \$1.32 a pound. Even cheddar cheese sells internationally for 79 to 88 cents while our support price is \$1.16 a pound for 500 pound barrels.

Because we have import quotas on dairy products to protect our domestic markets, you are insulated from these low priced foreign products. But it does make you wonder where is all that cheaper powder if someone is selling butter for 81 to 88 cents? If

you could make powder without making butter we could solve some of our own surplus butter problems as long as the world powder price stays between 81 and 90 cents.

## Watch GATT

Now there's talk of removing all farm subsidies and import quotas as part of the negotiations of the General Agreement on Tariffs and Trade to facilitate world trade in all farm products. Our wheat and feed grains producers have depended on exports for over half of their sales for many years. Dairymen, on the other hand, have been priced out of world markets and been protected from imports by Section 22 of the Agricultural Adjustment Act. So, the idea of removing farm subsidies and increasing world trade sounds like a good idea but the impact may not be the same on all farm products.

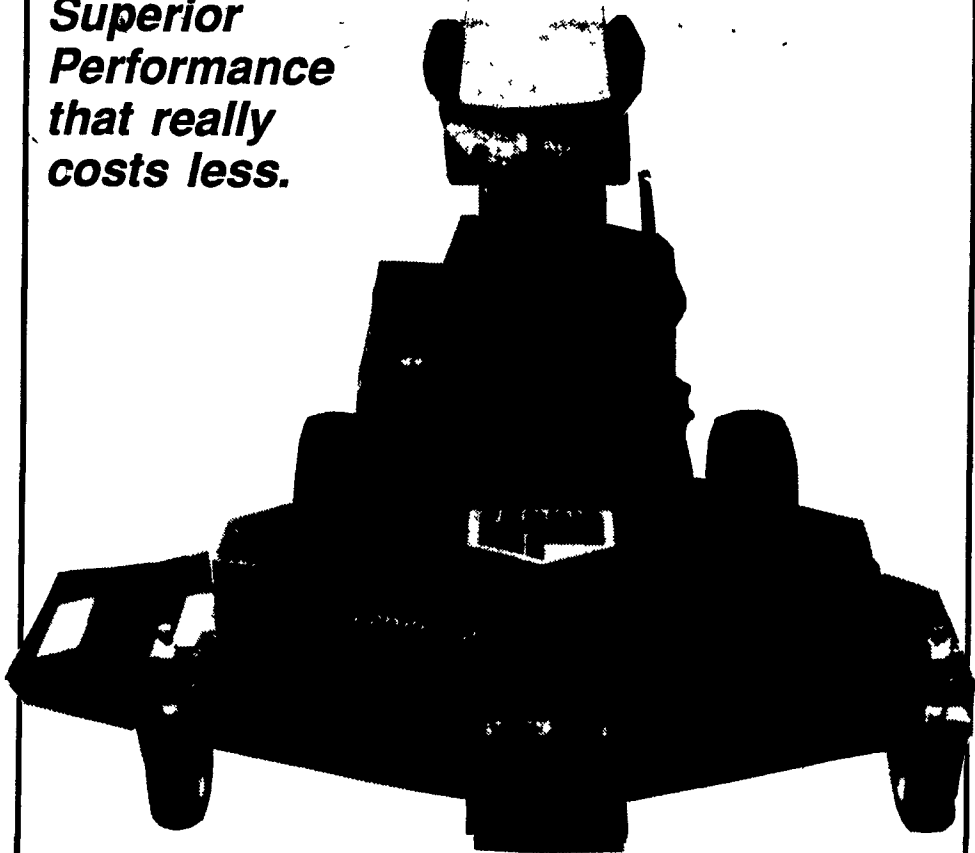
Generally, milk producer organizations have not favored, or at least were skeptical about, the effect of the changes being considered by the GATT negotiators. However, that was before the mandatory milk quotas in Europe that eliminated their surpluses and opened the door for nine months of exporting our own milk powder. Now dairymen have become world traders too and even the National Dairy Board -- all dairymen who run the milk promotion program -- think that "international-

(Turn to Page A37)

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