

Price Of Milk To Processors Increases September 1

STRONGSVILLE, OH — A traditional supply/demand scenario with some unexpected swings will raise the price of milk to milk processors on September 1, according to the general manager of the regional dairy cooperative Milk Marketing Inc. (MMI).

"The milk supply is decreasing and demand for dairy products is increasing, therefore prices are responding," said MMI General Manager Gordon Riehl.

Unexpected for economic conditions brought about by the weather, continued consumer demand and fewer dairy farmers are the elements of the price hike.

"In order for dairy producers to survive the lingering economic effects of last summer's drought and the production of poor quality feeds because of this spring's wet weather, farmers need to get more money for their milk. More money to farmers will keep more farmers in business, and that means area milk processors can be more readily assured of a milk supply to meet consumer needs," he said.

Prices to MMI's milk processor customers will increase between 58 to 73 cents for each one hundred pounds of milk purchased

depending upon the area where the processors are located. Of this amount, 43 cents is a national milk price increase based upon the supply/demand picture across the country. Additional price hikes are expected in subsequent months.

"Pay prices to dairy farmers in this area were higher eight years ago than they are today," said Riehl, indicating that the price of milk peaked in December of 1981. Last year, pay prices to producers hit a ten-year low. Since that time the much publicized tough economic conditions on the farm have forced many producers into retirement or selling their operations.

Recent weather conditions have worsened the picture. Financially hurt by last summer's drought,

farmers are reeling from this spring's heavy rains which wreaked further havoc on many farming operations.

"Milk production will remain a problem as long as feed quality remains so low. This spring's rains, which prevented farmers from harvesting hay and silage during their peak period, means these crops now will not contain the nutritional value that cows need to produce sufficient quantities of milk," Riehl explained.

"In order not to jeopardize the milk supplies, now and in the future, farmers need to know that they can afford to purchase more nutritional feed from other areas to maintain their animals. If farmers' pay prices do not stay in line with costs of production, the sup-

plies of milk available to this area will obviously diminish. So will the number of dairy farmers," said Riehl.

Nationwide the price of milk is climbing because the supply of milk is dwindling. Government statistics indicate that production across the country is down more than two percent from a year ago.

In MMI's eight state region production has decreased by more than 10 percent.

At a time when production is down nationwide, the consumer demand for dairy products is growing, according to USDA statistics. Fluid milk sales, or bottled milk, are currently strong, up almost 1.5 percent from the beginning of the year. Cheese sales have climbed nearly eight

percent. In fact, almost every category of sales for dairy products is up, except butter.

"Still," Riehl commented, "dairy products remain a consumer bargain. The Consumer Price Index shows that even though dairy product prices have increased 14 percent since 1982, overall the basic food item category has risen 25 percent during that same period."

MMI is a 7,000 member dairy farmer owned cooperative encompassing an eight state midwestern area including Ohio, Indiana, Pennsylvania, Michigan, New York, Kentucky, Maryland and West Virginia. Last year MMI marketed more than 4.1 billion pounds or 475 million gallons of milk.



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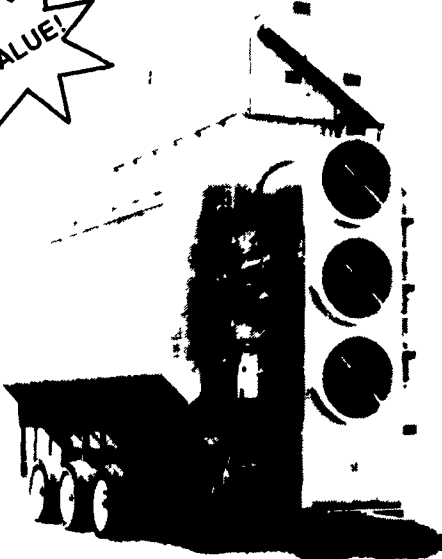

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