

Dairy Producers Cautiously Optimistic

STRONGSVILLE, Ohio — Dairy producers are "cautiously optimistic" about the 1990's marketing picture, Milk Marketing Inc. (MMI) leaders General Manager Gordon Riehl and President Herman M. Brubaker reported recently in their annual addresses to MMI's 250-member delegate body.

"The weather has played havoc on us for the last two years -- a drought in 1988 followed by a wet spring in 1989," Brubaker said. "Many producers aren't counting on the price of milk staying at its current level for very long."

Since October 1989, the price producers received for their milk rose as commercial demand accelerated and drought-affected milk supplies dried up.

The Minnesota-Wisconsin (M-W) price, the basis for determining milk prices, pushed far above support price levels climbing to an all-time high of \$14.93 per hundredweight in December.

Brubaker said that dairy producers found themselves in a somewhat frustrating position during this potentially profit-making period. Potential on-farm profits were offset by reduced milk supplies, lack of high quality feed, soaring commercial feed prices and increasing labor shortages.

"If dairy producers are experiencing a temporary cash flow increase, the money seems to be going into paying off existing farm debts," added Brubaker. "Feed costs remain high in many areas and producers are still feeding their herd's low-quality forage

that was harvested last spring."

Riehl reported that milk production remains down 6 to 10 percent in MMI's marketing region and two percent below national levels from year-ago levels.

"We have not seen any particular pickup in milk production and doubt seriously if we will see much in this area until dairy producers get some better feed and the cows freshen after they've had that better quality feed," said Riehl.

Although it is difficult to predict what milk production and prices will do in 1990, MMI's general manager said that MMI economists predict the average pay price for 1990 to be about 50 cents per hundredweight higher than 1989 averages.

Through February, pay prices to producers should average well above \$15 per hundredweight -- a price higher than 1989 averages, MMI officials said.

Riehl explained that most of the M-W and milk price changes last season were the result of climbing block cheese prices. Since May, block cheese prices have risen steadily. Riehl said that, although there is room for the M-W to expand a bit longer, cheese prices are already beginning to soften -- an indication that the M-W may be nearing its peak.

As the New Year opens two other factors have already impacted prices -- a 50-cent cut in the milk support price and an assessment to meet budgetary cutbacks, Riehl said.

Effective Jan. 1, the milk support price dropped 50-cents per

hundredweight. The cut, issued by Secretary of Agriculture Clayton Yeutter, was in direct response to the 1985 Farm Bill which calls for a 50-cent reduction if federal purchases of milk equivalent is projected to exceed five billion pounds.

Also, an one-month assessment of 6.3 cents was levied on January milk. Riehl explained that the assessment is to meet the Congressionally imposed 1989 Gramm-Rudman-Hollings (GRH) budgetary cutbacks. GRH requires a cut in government spending of \$14 billion, \$29 million of which belongs to the dairy program.

Brubaker told members that other critical issues face the dairy industry in the writing of the 1990 Farm Bill.

He said the National Milk Producers Federation (NMPF), supported by MMI and other dairy co-ops nationwide, endorsed a dairy policy framework that combines a market-oriented dairy price adjustment with standby inventory control to limit federal dairy program costs.

NMPF recommends adjustment in the milk support price to reflect the overall supply-demand balance in the dairy industry. That would include a modified formula for calculating milk equivalents used to determine price support cuts. Currently, the U.S. Department of Agriculture calculates milk equivalents on a milk fat basis. Brubaker said NMPF contends that calculating the milk equivalent on a total milk solids basis provides a more accurate picture of the supply-demand

scenario.

"Our current national dairy policy does not recognize that the nation's milk supply is in balance with demand," said Brubaker. "Since 1985, the industry has used the five billion level, milk equivalent, to determine if the support price would be lowered by 50 cents each year."

Also critical to the 1990 Farm Bill are food safety and ground water contamination issues, Brubaker said.

"Public concern for environmental issues is growing daily. Suddenly, many special interest groups have gained strength and push for their concerns," Brubaker said. He added that limiting pesticide applications, protection of well water and nitrate applications are being discussed as part of the effort.

Farmers must work together politically, he said, to educate those who will write the farm bill.

Twin Valley Students Win Project Book Awards

ELVERSON (Chester Co.)—Twin Valley FFA members recently participated in the Berks County Project Book Contest, which consists of the judging of vo-ag students' record books.

Students keep work experience records on and off the farm, skills and tasks, wildlife, conservation, and production. The purpose of keeping these records is to teach record-keeping abilities, responsibility, and money management.

Students from Twin Valley competed in this contest. For the enterprise of work experience on the farm, Mike Henderson placed 2nd and Brian Beam placed 6th. Danielle Burke placed 1st for her records on rabbits. Pam Harrison placed 2nd in that same enterprise.

In miscellaneous, Doug Shantz took 2nd place, and Ray Reinhard placed 3rd. In market hogs, Jill

Burkhart placed 1st, Brian Beam took 2nd, Keith McGowan 3rd, Eric Marshall 4th, and Kyle McVaugh 6th.

Chuck Stoltzfus took 2nd place in the dairy enterprise. For work experience off-farm, Missy Fanning took 1st place, Margaret Yamush 2nd, Danielle Burke 3rd, Kim Hubert 4th, Doug Shantz 5th, Keith McGowan 6th, and Kevin McVaugh 7th.

Andy Mast took 1st place in junior record books, and Ryan Marshall 2nd. Mary Beth Hassel placed first in pleasure horse and Erica Hess 2nd. John Rost took 1st in the wildlife conservation projects, and Steve Pavlesich placed 2nd, David Rost 3rd, and Chris Duncan 4th.

The top record books from the contest will go on to compete in the state contest this February.

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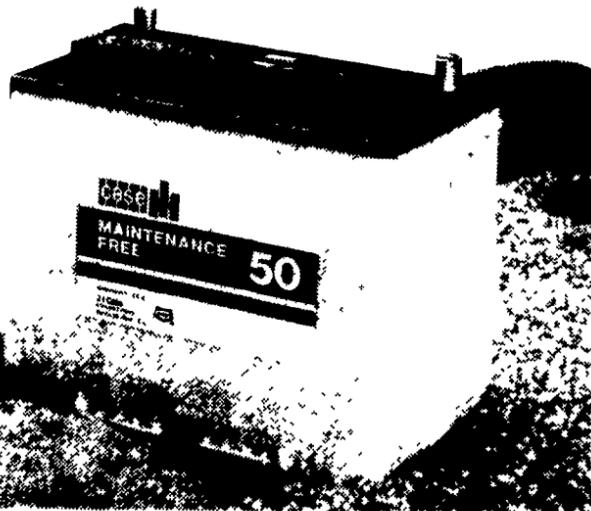
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