

# Farm Organizations Object To Stopping Class I Milk Support

**VERNON ACHENBACH, JR.**  
Lancaster Farming Staff

Three farm organizations this week have issued statements opposing the removal of a \$1.05 per hundredweight state price support for drinking milk.

The Pennsylvania State Grange, the Pennsylvania Farmers' Association, and the Pennsylvania Farmers Union all report having representatives testify before the state Milk Marketing Board to continue the Class I price differential for a least a year.

Seemingly at root of the call for the extension of the price support is the increased cost to produce milk and the projected sharp decline in current prices paid for milk.

The \$1.05 per hundredweight over-order differential was added on to milk prices September to help dairymen who were suffering greatly increased feed costs due to the 1988 drought and the 1989 rains. The differential is to begin phase-out May 31.

All three organizations agree that the support should continue,

but do not agree for how long.

Melvin Eckhaus, PFA commodity director to the PMMB, on Wednesday said that the farmers association recommends an extension of the over-order price until May 31, 1991, "to give dairymen a return for their management and equity capital," according to a PFA statement.

Grange dairy chairman Robert Pardoe Sr. did not set an extension deadline, but in testimony spoke in support of continuing the support.

PFU representatives also did not provide a timetable for removing the \$1.05 differential, but gave similar reasons for its continuance. The PFU did, however, suggest an additional support price of \$1 per hundredweight for fluid milk during May, June, July and August and 75 cents per hundredweight during September, October, November and December.

"We have enjoyed a reasonable price for milk for the past few months," Grange spokesman Pardoe said. "But our milk price is now dropping rapidly. Hay prices . . . remain high and other

costs have increased, such as fuel prices and equipment repair and replacement," he said.

According to Grange officials, dairymen are losing purchasing power on the farm as milk prices start to drop.

Parity, a measure of purchasing power in comparison to other components of society, shows that dairymen are receiving "only 55 percent of parity. Parity price of milk, at last report, is \$25.70," according to a news release.

"The widely fluctuating (Minnesota-Wisconsin) price series sets the price of Class I milk in Pennsylvania even though those fluctuations have little to do with our Class I market," Pardoe said.

"We suggest the PMMB set a Class I price in Pennsylvania regardless of the M-W series. Our farm price would still vary, but not as drastically as our current system," he said.

PFA representative Eckhaus said that dairymen had already testified to the PMMB that their profit margins are not high enough to enable them to replace necessary

machinery and equipment.

Eckhaus said he based his one-year extension recommendation on a management return of five-percent of gross sales and six-percent interest on equity. He said that means dairymen in Pennsylvania received 1989 prices at least \$1.82 below production costs if management and equity are included.

Additionally, Eckhaus said the effect of weather continue.

"Pennsylvania dairy production is still 7.5 percent lower than it was in January 1989 and eight percent lower than in February 1989," he said. "Both the numbers of cows and production per cow are significantly lower. In fact, of all the major dairy producing states, Pennsylvania is the slowest to recover from the adverse weather," Eckhaus said.

According to PFU spokesman Arden Tewksbury, the over-order price must continue because of poor weather and poor quality, but high priced, roughage farmers have to feed and the price of sup-

plemental feed required to provide balanced diets for their herds.

Tewksbury also told the board that the last year's inordinately wet weather created more than poor hay quality. He said a number of fields were put out of condition physically ("rutted up") and will require plowing; an additional expense.

Bob Junk, president of the Fayette County chapter, told the PMMB that farmers he represents in the southwestern portion of the state will require a continued over-order price until the end of the year.

According to PFU calculations, if existing premiums are lost, the average dairy farmer will get about \$3,000 less in gross receipts in June than they did in January.



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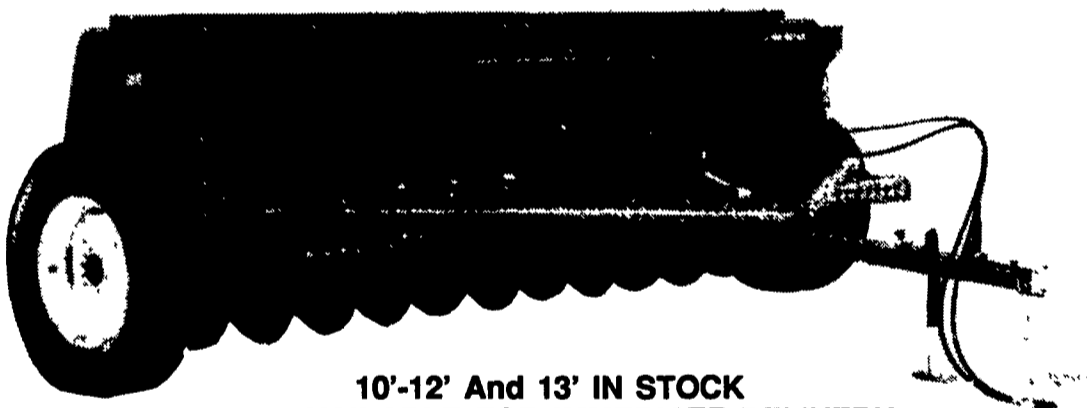


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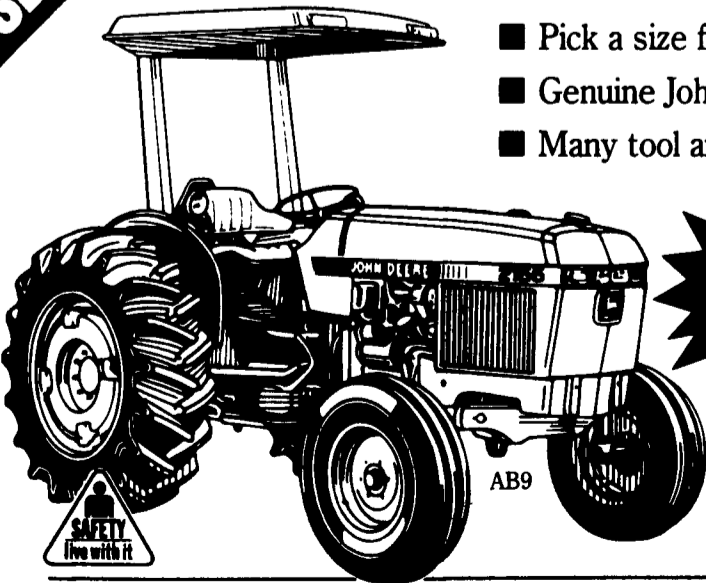
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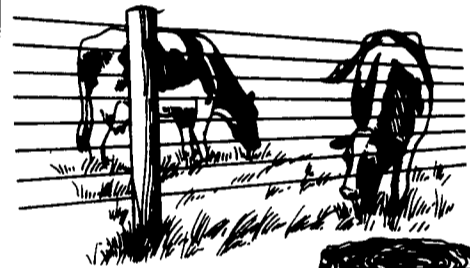
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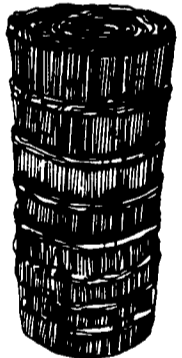
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