

# Milk Price — How Low Can It Go

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**SCRANTON** (Lackawanna Co.) — Another decline in the Minnesota-Wisconsin Price Series was added in November when it fell 23 cents to \$10.25 for 3.5 milk.

That's almost good news after a drop of \$2.02 last month but it all adds up to \$3.18 less since July. Or you could call it \$3.69 less than January or \$4.68 less than the record high set last December.

It just depends how dark you want to paint the picture.

However, in keeping with the holiday spirit and an effort to find something cheerful, I think there is light at the end of the tunnel. Or maybe a train coming the other way.

If it's a light then this is about as far down as the M-W will go which is higher than expected by most forecasters.

Butter and cheese prices are down to support levels and powder came very close when prices fell to within three cents of supports.

It's true that Commodity Credit Corporation (CCC) is back to buying all dairy products for the first time in two years but commercial demand, especially for butter and cheese is looking better.

If the light in the tunnel is a train coming the other way it's

because of increasing milk production that jumped four percent over last year in October making it the third consecutive month which may indicate a trend.

Another problem is the general economy and how much disposable income will be available. However, lower dairy product prices should help increase sales if consumers are looking for bargains. It has worked before.

### Farm Price

In the meantime, however, we're faced with absorbing the September and November drops in the M-W in the December milk check. That means 59 cents less on the Class I price and 23 cents less on Class II that handlers pay for November milk.

Your Louisville Plan payback in November also dropped from 42 to 26 cents taking another 16 cents from your blend price. Putting it all together the Uniform or blend price for November in Order 2 is \$12.52 for 3.5 milk at the 201-210 mile zone. That's 58 cents less than October and a whopping \$2.76 less than last year.

The worst is yet to come when the \$2.02 drop in the October M-W shows up in your January check for December's Class I milk along with a five-cent assessment required by the Budget Reconciliation Act.

With production up and prices

down the only good news after January is that it can't get much worse.

### Butterfat Differential

The one thing that's changed the least since Federal Milk Marketing Orders started 52 years ago is the calculation of the butterfat differential in the minimum prices that handlers were required to pay producers.

It was such a simple formula yet most producers didn't know what it was.

Now it has been changed after approval by producers in a national referendum and will be used in all Federal Orders for December

milk that will be paid for in January.

Actually there have been two butterfat formulas in Federal Orders. One to adjust the Minnesota-Wisconsin Price Series to 3.5 percent to establish the Basic Formula Price and the other to determine the premium that each producer gets for milk testing above or below the 3.5 percent standard.

Both start with the average Chicago butter price for the month which is multiplied by .120 for the Basic Formula Price and .115 for the butterfat differential on your milk check.

The new formula starting in December will still use the Chicago butter price but will also include the M-W at average test.

This is the formula — Chicago butter price multiplied by .138 minus the M-W multiplied by .0028.

Because the new formula includes the Basic Formula Price it will change both the butterfat differential and the uniform price that producers receive. If you applied the formula to November prices the butterfat differential would have dropped from 11.4 cents to 10.7, but the Basic For-

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