

# The Milk Check

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County Agent



prices can't get much worse with the support price at \$9.90 and the M-W at \$10.02 but it can happen. There have been times in the past when the M-W fell below the support price because milk supplies were so excessive.

I don't believe that will happen this year and I'm guessing that the drops from now to June will be minimal before prices start going up this summer. The worst of the price drops are about over and if you can manage to survive the cuts of last year you can make it for the year ahead.

#### Decreasing Increases

Along with prices declining at a declining rate, milk production is increasing at a declining rate.

After increases nationally of 3 and 4 percent since last fall, February production increased only 2 percent.

Even more significant were the receipts in the three northeastern federal orders where increases fell from nearly 6 percent in December to only 2 percent in February.

Nearly all the increases nationally have come from higher production per cow rather than increasing cow numbers. In fact cow numbers have been dropping since last fall and in January and February were below the same months a year ago.

With feed prices showing no

months, or about five cents a month.

No question there's still a difference, but the drop has flattened out considerably in advance of the spring flush.

The pattern is the same for the uniform or blend price in Order 2. The last half of 1990 saw a drop of \$3.20 from \$14.43 to \$11.23 in December — about 60 cents a month. So far this year it has dropped only 21 cents in three months from \$11.11 in January to \$10.90 in March.

That \$10.90 in March is only nine cents less than February, but a sickening \$2.35 less than last March. It's better than the \$4.24 difference in December.

Certainly you can argue that

relief and milk prices dropping below last year the milk-price to feed-price ratio is down close to the break even point.

These are reasons enough for declining milk production, but if you factor in a declining number of cows you have a scenario for an anything-can-happen situation.

You don't need a disaster like the drought in the upper midwest in 1988 (that was a factor in providing the higher milk prices in 1989 and 1990). Just the normal problems of making ends meet on the average dairy farm may be enough to continue declines in milk production.

#### Suspension

One thing that will help a little this spring is the suspension of your Louisville Plan payments in Order 2 and Order 1 in New England. These are payments many producers are unaware of, but were voted in by them in a referendum many years ago.

They are part of an incentive to encourage more milk production in the fall months from August to November and less in the spring from March to June.

Payments of 20 cents in March; 30 cents in April and 40 cents in May and June are deducted from your milk check and returned to

you with the earned interest from August to November.

This year however, after a petition from the northeastern cooperatives — including RCMA and the Milk Producers Voluntary Agricultural Association that combined represent 80 percent of the Order 1 producers and 32 percent of the Order 2 producers — the USDA has agreed to suspend the producer payments this year.

Of course, that means that you won't get any payments in the fall months, but the reasoning was that you need the money now for planting expenses and hopefully milk prices will be better in the fall to cover harvest expenses.

#### Emergency Legislation

I guess by now that every milk producer is aware of what has commonly been called the Leahy Bill that was an attempt to raise fluid milk prices this year to increase dairy farm income.

In the original form it would have meant \$3 per hundred more on fluid milk in all federal order markets.

With varying Class I utilization in different markets it would have meant increases in the uniform or blend price to farmers from 50 cents in the upper midwest to nearly \$3 in the southeast, with the northeast in at around \$1.50 a hundred.

In an effort to make it more equitable and get enough votes to pass it, an amendment was made to give everyone the same increase or about \$1.25 a hundred. This upset other areas who had to give up some of their \$3; so the support was by no means unanimous.

There were other parts of the bill  
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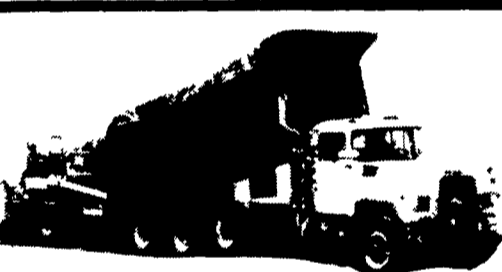
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