

Dairy Farmers Concerned About Farm-Retail Price Spread

KARL BERGER
Special Correspondent

WASHINGTON, DC — As the downturn in farm milk prices continues, the hard times threaten to drive a wedge between those who make milk and those who market it.

Consider: since the winter of 1990, milk checks have been diminished by 25-30 percent.

The decrease — almost \$5 a hundredweight — translates into roughly 20 cents a half-gallon. Therefore, a simple accounting would conclude that's the amount by which retail fluid milk prices should have dropped as well.

But they haven't, at least by the amount, a fact that has not been lost on hard-pressed dairy farmers. They're been grumbling for months that retail dairy product prices did not decline as their price

plummeted. The farmers' frustration spilled over at a hearing last month in Washington before the Livestock, Dairy and Poultry Subcommittee of the House Agricultural Committee.

Testifying at that meeting, Jim Barr, the chief executive of the National Milk Producers Federation, said that consumers have not benefitted from low farm milk prices. Ed Coughlin, another National Milk official, said a cursory comparison using Bureau of Labor statistics for January 1991 indicated only a 2.1-cent decrease in average fluid milk prices at the retail level over a one-year period in which farm milk prices dropped the equivalent of 18.3 cents a half-gallon.

And farmers in Wisconsin garnered headlines for noting that retail cheese prices held firm and

even increased in the latter half of 1990 while farm prices dropped more than 20 percent.

The issue is not merely sour grapes. Lower prices presumably mean higher consumption and sales figures were not good for the dairy industry in 1990. In fact, the "commercial disappearance" of dairy products actually declined 2.5 percent in the final quarter of the year and dropped one percent compared to year-earlier levels again in the first quarter of 1991, according to Jim Fraher, an economist with Atlantic Dairy Cooperative.

Nonetheless, the issue has begun to fade from the dairy industry's agenda as retail prices for various products have begun to decline (Kraft General Foods, the nation's largest cheese retailer, recently announced a 17-cent

reduction in its wholesale cheese price) and as agricultural economics weigh in with evidence that these pricing patterns are nothing out of the ordinary.

Farmers tend to assume that retail prices are a simple function of adding x number of cents onto processors' raw milk costs. But this simple theory ignores the fact that retail costs are driven by a complex mixture of factors, according to Bob Yonkers, a Penn State University economist. Processors, he said, are often middlemen whose prices are limited by competition and other factors.

Among the economists who testified at the April hearing were several from Texas A & M University who have studied the relationship between farm and retail prices of milk from 1979 to 1989. Their conclusion was that retail prices do indeed change as farm

prices change, but it is not a one-to-one relationship. Rather, the retail price goes up or down 38 cents as the farm price goes up or down \$1.

The relationship makes sense, Yonkers said, when you consider that the latest U.S. Department of Agriculture statistics, for 1988, indicate that dairymen receive 40 cents of every dollar made selling dairy products to the consumer. This farm-retail price spread had grown (the farmers' share of retail income has shrunk) in recent years as marketers have provided more services in the form of packaging and the like and as increased efficiencies on the farm have driven down raw milk costs. The 40-percent share is an average figure; it would be somewhat higher for fluid products; somewhat less; for manufactured ones, Yonkers said.

Jacques Scoreboard

5700

A fast start in spring training plus an ability to perform under widely varying conditions have helped make this veteran a perennial all-pro selection. Long, slender, deep-kerneled ears turn out big yields of high test weight grain.

7910

The scouting report says this rookie has big-league yield capability, excellent seedling vigor and very good staygreen. Excels in drydown and test weight. Sign up this newcomer early.

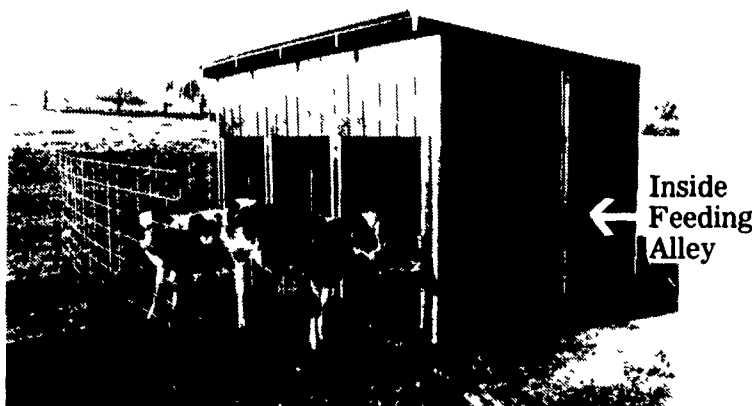
4170

This pro takes charge on the field. An all-around performer, 4170 features fast growth, superior stalk and root strength, and outstanding stress tolerance plus exceptional yield potential.

See or Call: **Your Dealer**
Or **1-800-472-3010**



CALF KENNELS



Same Advantages As Hutches, w/Inside Feeding

MFD. BY: **STOLTZFUS WOODWORK**
Rt. 897 North - Gap, PA 17527
717-442-8972

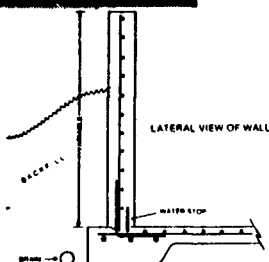
Manure management systems to match your kind of livestock, type of manure ...and economics

"PLAN NOW for 1991 Construction" Contact us to discuss your EARLY ORDER DISCOUNTS



POURED IN PLACE CONCRETE TANKS

- * 6'-8' or 12' depth
- * 50' thru 140' diameters
- * Inground or above ground



Sollenberger Silos Corp.

A Nitterhouse Company
Box N Chambersburg, PA 17201 (717) 264-9588

SINCE BEFORE 1910

Office Number - 717-264-9588

For Upright Silos Call
Bob Francis
717-532-6848

For Bunker Silos & Manure Systems
Call Tabb Justus or Mike Hair
717-762-8663 717-263-0792

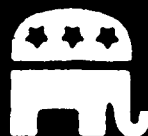


Ken Rutt
FOR
LANCASTER
COUNTY
COMMISSIONER



As a successful farmer and businessman, Ken Rutt knows the importance of cooperation, being a team player, and getting the job done, and done well.

Pull lever 10C to vote for KEN RUTT



VOTE REPUBLICAN TUESDAY, MAY 21

Paid for by the Committee to Elect Ken Rutt
James Hostetter, Treasurer