

MILK CHECK

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New Prices For New York

On May 2 the New York legislature passed, and Governor Cuomo signed, a bill amending the Agriculture and Markets Law (the Rogers-Allen Act) allowing the New York commissioner of agriculture to set an interim price that licensed handlers pay for milk produced in New York.

Five days later the commissioner announced the minimum prices of \$13.85 for Class I milk and \$10.30 for Classes II and III, starting June 1 in New York state.

These are interim prices good for up to 180 days. Beyond that,

the commissioner is expected to set prices for one year, from testimony presented at 12 days of hearings held in April.

These would have to be approved in a referendum by two thirds of the producers. Announcement of these prices is expected in June.

The legislation also provides for a fast track schedule of no more than 100 days to change the prices when petitioned by an organization representing 35 percent of the producers in the market to be covered by the order.

Handlers buying milk in New York and marketing it in other

states, as well as New York handlers buying milk out of state and selling it in New York, are expected to pay compensatory payments to the New York "pool" which will distribute the money to the New York producers. There may be competitive credits for handlers of Class II and III milk selling products in out-of-state markets.

Finally there will be a maximum margin of 200 percent of the fluid milk price from the farm to the retail sale.

Bottom Line

If all goes well, the New York commissioner said he expects the price to New York producers to be increased by 80 cents.

The June Class I price for Order 2 at the 201- to 210-mile zone will be \$12.46, but in New York state it will be \$13.85 or \$1.39 higher.

Considering a 40 percent Class I utilization and Class II and III prices about 16 cents over the Order 2 minimum, the blend price to farmers should come close to that. The bigger question is, how much of this 75- or 80-cent increase will be "new" money from handlers, added to present

over order premiums, and how much will come from handler premiums already being paid to producers?

The spread between the Federal Order minimums and the emergency interim prices will narrow, if the market prices increase as expected through the summer and fall months.

The average over-order difference would be lower as market prices increase. However, as mentioned earlier, hearings have already been held for additional changes in the interim price that may be announced in June that can extend for one year.

The effect on Pennsylvania producers shipping milk into New York markets will depend on premiums paid by handlers and the success of RCMA in collecting the difference for its out of state members.

The ripple effect on action in states bordering New York — such as Vermont, Massachusetts and New Jersey — will also make a difference.

The Pennsylvania Milk Market-

ing Board held a hearing May 9 on the present \$1.35 over order price on Class I milk and a decision is expected soon.

Credit Due

It took a lot of effort from many cooperatives, organizations and individuals to get the changes in the law that allowed the action of the New York commissioner to change producer prices, but the process was helped considerably by the existence of RCMA.

It not only provided much of the leadership but, by forming RCBA, also provided the necessary 35 percent of the producers in the market to make an application and have a hearing as required by the law.

The original purpose of RCMA was to get over order premiums for producers without the need for new legislation. That failed because of a reluctant minority but it still provides an important role in representing its members, both cooperative and independent, as the legislative road to price improvement is travelled more often and seems to be the way of the future.

Good News

Last month I said it appeared that milk prices had bottomed out and would start their seasonal rise earlier than usual this year. The key was milk production and cheese prices and this month we have good signs from both.

Nothing spectacular and maybe not a trend, but they're looking better.

The Minnesota Wisconsin Price Series made its first monthly increase in April, since July 1990. It went up only 2 cents to \$10.04, but for April that's a good sign.

Even better was an increase in both barrel and block cheese prices at the National Cheese Exchange on May 10. Again, it was only 1 cent, but the week before, barrels increased 1.5 cents a pound and that was the first improvement since prices fell to support levels six months ago. Besides, 1 cent on cheese is worth 10 cents on milk and this year we're counting pennies.

In any case, it looks good, coming now in the spring. And with lower cow numbers this year, even the grass may not bring on a flush.

Federal Order Changes

All the amendments to Federal Orders 1, 2 and 4 that became effective in April, will show up in your milk check this month.

These include three classes of milk with three different prices in all three Orders, and for Order 2, additional changes in transportation differentials and a lower Class I differential.

There will also be a suspension of the Louisville Plan payment that will be worth 30 cents to Order 2 shippers. This will make the most significant difference in the blend price for most producers.

The Class I price in Order 2 will be \$12.46 for April or 25 cents lower than March. Half of that came from the lower Class I differential and half from a drop in the Minnesota-Wisconsin Price from January to February.

The "new" Class II price for "soft" dairy products will be \$10 or 5 cents more than the "old" Class II price that included butter, powder and hard cheese.

The new Class III price will be \$9.95 or what the former Class II price would have been. Transportation differentials will be higher for farms within the 201- to 210-mile zone and lower for those beyond.

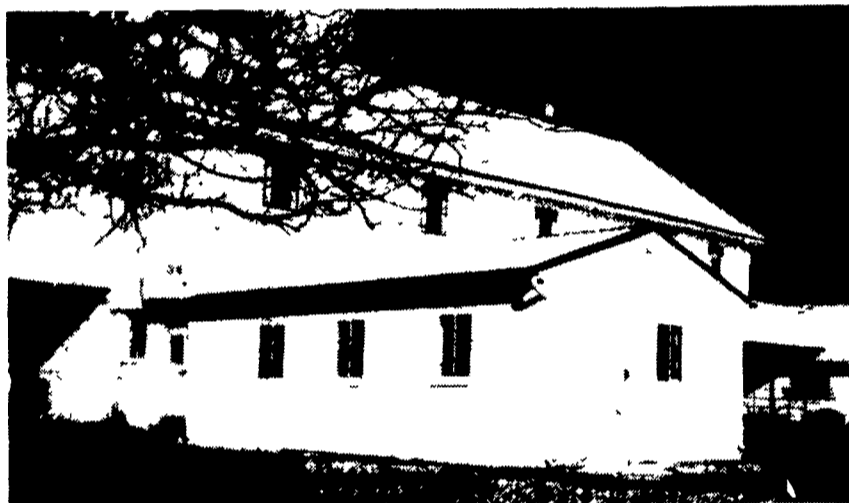
Changes in product identification and classification will also make a difference. Also, April is

(Turn to Page E6)

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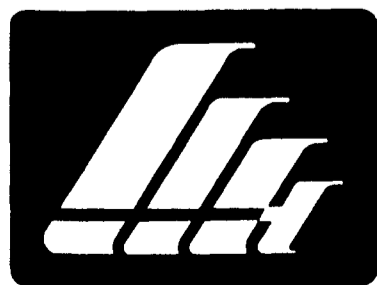


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