

MILK CHECK

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SCRANTON (Lackawanna Co.) — Nearly everyone now agrees that milk prices are on a roll and there are enough signs to sustain a trend to the end of the year.

Cheese price have been the outstanding performer with eight consecutive weeks of increasing prices for a total now of 15 cents a pound since May, reviving the often quoted phrase in the dairy industry — what a friend we have in cheeses.

A chart illustrates the rapid rise in cheese prices in just nine weeks after sitting on their support price for six months. It's even more impressive when you realize that 15 cents a pound on cheese can translate into \$1.50 a hundred on milk.

A trend in milk production has also been set since January when it was 3 percent over the previous year. Since then it has pulled even in May and is expected to be below 1990 in June.

All of the top five dairy states have been cutting back, but Minnesota and Wisconsin were below a year ago last month. That has helped to increase the cheese price since most of the cheese is made in the upper midwest.

Also helping cheese prices, especially barrel cheese, was the announcement by USDA to make advance purchases of dairy products for next year's school lunch and feeding programs as well as

expanding their use in donation programs. Just as important was the decision by USDA to withhold the sale of Commodity Credit Corporation stocks. Ordinarily these sales would start when the market price reaches 110 percent of the support prices. Cheese prices have already reached that level, but, without CCC sales, market prices can continue to rise as far as the demand will take them.

Weather related effects on milk prices are harder to predict, but right now it seems that many areas of the country have problems with too much water or not enough water.

So far, estimates of feed prices for next winter aren't too bad, but in most areas locally, after a very good first cutting, we haven't made any hay since then.

Weather conditions may very well contribute to higher milk prices and it was a drought in the upper mid west that was partially responsible for your record high milk prices in 1989. But that's getting it the hard way.

Farm Prices

All of this has to get translated into numbers on your milk check and this month you will begin to see improvement.

Cheese prices were the major contributor to a 35-cent increase in the Minnesota-Wisconsin Price Series to \$10.58 for June that is 68 cents over the support price. This

makes an increase of 54 cents in two months with more on the way for July.

For June, it has provided 36 cents more for Class III milk and 15 cents more for Class II in Federal Order markets.

The Class I price lags by two months so the June M-W will give you a \$13 Class I price in August in Order 2 and that will be the highest so far this year.

The uniform or blend price for June in Order 2 was \$11.04 at the 201- to 210-mile zone without the Louisville Plan deduction. That was 20 cents better than last month but \$2.21 less than last year.

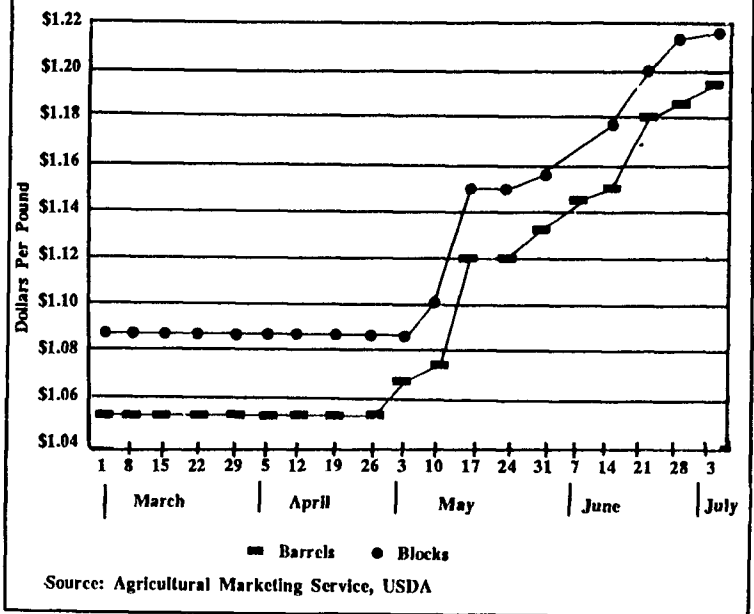
If you want to keep looking back, it was \$11.62 in 1989 and only \$10.66 in 1988. These had Louisville Plan deductions of 40 cents for June. Even so you only have to go back three years not 12, to find a comparable price, so the gap is closing and forecasters are now estimating average yearly prices closer to 1990 than they were this spring.

New York Referendum

As reported last week, New York state dairy farmers voted in a referendum for a minimum Class I price of \$14.50 for one year starting August 1 on milk purchased in New York. Required to pass was a minimum of 66 percent of all 9,304 producers in the state and it made it with 68.5 percent. Forty percent of all the producers were "independents" but only 58.5 percent of them voted in favor of the minimum price.

Cheese Prices, National Cheese Exchange

March 1, 1991 — Present



The over order premium to New York producers will be the difference between the Federal Order 2 price and \$14.50.

For August, that would be \$1.50 but only on Class I milk. No minimum prices were set for Class II or Class III milk.

A separate "pool" would be made for New York state producers so all would receive a uniform premium regardless of the Class I utilization of the handler receiving the milk. The premiums however, would be distributed to producers in their monthly milk checks by the handlers.

Considering a 40 percent Class I

utilization in August, this would mean an over order premium of 60 cents for New York state producers.

The \$14.50 price in August will replace the \$13.85 interim price in effect on Class I milk in New York for June and July, but some of the same problems still remain, such as how to collect for out-of-state milk and how much, if any, of the 60 cent premium will be new money from handlers (Many of whom are already paying premiums for many reasons, from volume to quality.)

(Turn to Page D3)

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