

# Milk Price Outlook

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increase will not be automatic throughout MACMMA's bargaining area because of existing contracts and competitive pressures from outside the region.

Another hopeful sign was provided by Bush administration officials. Speaking at the recent American Farm Bureau Convention in Kansas City, Secretary of Agriculture Edward Madigan discussed the possibility of once again taking administrative actions to soften the bottom part of the yearly milk pricing cycle. In response to the disastrously low prices of last winter and spring, the U.S. Department of Agriculture took several actions to bolster prices at the farm level, including a temporary moratorium on the sale of government-owned surplus stocks back to the market and advance purchases under the school lunch program.

Ed Coughlin of the National Milk Producers Federation said the department already has moved this year to strengthen its export enhancement program for nonfat dry milk powder, announcing its intention to facilitate the export of 300 million pounds of powder. These and other measures have the potential to improve farm milk

prices this spring significantly, Coughlin added.

"If we have a market where there are substantial inventories of nonfat milk that are dedicated to export, then we can strengthen the market considerably," he said.

Finally, local dairy cooperatives are lining up behind a proposal that would put a cap on the extent to which Class I milk prices can drop this spring, although many observers doubt if it has much chance of actual enactment.

The proposal — which would temporarily establish \$11.50 a hundredweight (for 3.5-percent-fat milk) as the "minimum basic formula price" in the U.S. Department of Agriculture's federal order system — would automatically cushion the impact of low farm milk prices this spring, according to Boyd Cook, manager of the Middle Atlantic Division of Dairymen Inc.

Currently, USDA uses the Minnesota-Wisconsin price series, a measure of farm milk prices paid by processing plants in the upper Midwest, as the basis for setting Class I prices for fluid milk. The Class I price in Order 4 each month is \$3.03 higher than the M-W price of two months ago.

Thus the proposal would estab-

lish \$14.53 (\$11.50 plus \$3.03) as the lowest level to which the fluid milk price could decline in the Mid-Atlantic region and other similar minimums would be set in other orders that have somewhat different Class I differentials. Cook said the plan would not affect the pricing of either Class II or Class III milk used to make cheese and other products, which accounts for about half of the milk pooled in Order 4.

The December M-W was \$12.10 a hundredweight, but projections call for it to drop to somewhere between \$10.50 and \$11 before rebounding in the fall. The forecast of Dairymen Inc. sees the M-W falling below the \$11.30 minimum for five months in early 1992, Cook said.

The Dairymen official said local farmers can expect to realize as much as 40 cents a hundredweight extra if the M-W bottoms out at \$10.70 in May, traditionally its low point in the year. By comparison, last spring, when farmers faced the lowest prices they had seen in a decade, the M-W hit \$10.04.

"Farmers need to take the bottom dip out of their prices and that's what this is designed to do," Cook said.

Bob Vaughn, general manager of Maryland and Virginia Milk

Producers Cooperative Association, said many local producers cannot stay in business at the prices paid last spring. He said the cooperative would endorse the proposal and continues to seek other ways to stabilize roller-coaster prices as well.

This latest initiative was launched last month by Southern Dairymen Inc., a federation of Southeast cooperatives. The federation petitioned USDA Dec. 9 for emergency action to amend 13 federal orders in the Southeast, including Federal Order 4, the Middle Atlantic Order, according to Cook.

The department must move quickly if the minimum is to have any impact, Cook said. The formal petition requests that the minimum formula price stay in effect for one year, Cook noted, but as a practical matter it will have no impact after July.

In recent weeks, a number of other cooperatives have requested the same action for other federal orders. The board of directors of Atlantic Dairy Cooperative endorsed the request for both Order 4 and Order 2, the New York-New Jersey Order, at a meeting last week, according to spokesman Laura England. The directors of the Regional Cooperative Mark-

eting Agency (RCMA), the New York-based over-order bargaining agency, recently endorsed the plan, according to Art Little, a RCMA official. Reportedly, other cooperatives have petitioned USDA for the inclusion of other federal orders as well.

The need of cooperative officials to be seen as doing something to aid dairymen's ailing fortunes may explain much of this bandwagon, according to industry observers. They note a similar proposal made as part of the lengthy national hearing on the federal orders held in late 1990 was rebuffed then by USDA.

Bob Yonkers, a dairy economist at Penn State University, said the department was most likely to dump the proposal into its ongoing comment period on federal order issues. National Milk's Coughlin concurs.

"I think the most likely course of action is that the issue is a matter that's pending in the national hearing," Coughlin said. "Therefore, it would be premature to address it before that earlier proposal is answered."

However, supporters counter that the proposal has one thing going for it that it didn't have in 1990. It's a presidential election year.

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## ADADC To Hold 32nd Meeting

SYRACUSE, N.Y. — The American Dairy Association and Dairy Council Inc. (ADADC) will hold its 32nd annual meeting on Tuesday, Feb. 18 at the Sheraton Inn in Liverpool, N.Y.

Dairy producers from New York, New Jersey and Pennsylvania are invited to attend this event to review their current milk advertising and promotion programs.

The theme for the meeting is "Dairy Promotion: On Target." A panel of ADADC staff members will present a simulation of a "live" television broadcast to highlight ADADC's innovative advertising and milk promotion programs.

A presentation by ADADC's advertising agency, D'Arcy, Masius, Benton & Bowles, will focus on the competitiveness of beverage advertising.

Some areas that will be covered in the presentation are the cost of making a television commercial, what beverage companies spend on advertising, and how dairy farmer promotion dollars are spent on advertising to get the greatest return on investment.

The meeting will begin at 10:30 a.m. with a business meeting of the board of directors. During the noon luncheon, special recognition will be given to retiring board directors and a service to dairying plaque will be awarded.

The afternoon program will begin at 1:30 p.m., with the broadcast panel and milk advertising review. A joint presentation by Cindy Carson, National Dairy Board, and Tom Gallagher, chief executive officer of United Dairy Industry Association, will also be presented. The afternoon session will conclude at 4:30 p.m.

The 29th Annual New York State Dairy Princess Pageant will again be included as part of the annual meeting agenda. A milk punch reception will begin the festivities at 5:30 p.m.

Local dairy producers will invest approximately \$11.2 million into ADADC's programs during 1992.

This money will be used to purchase television and radio advertising, and to fund local dairy promotion and nutrition education programs.

All dairy producers as well as industry representatives are invited to attend. Luncheon and banquet reservations are necessary and can be made by calling ADADC at (315) 472-9143.

Banquet tickets for the princess pageant (\$15 per person) must be prepaid. The Sheraton Inn is located off exit 37 of the New York State Thruway.

