

# Dairy Outlook For 1993

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 STATE COLLEGE (Centre Co.) — For the dairy industry, 1992 was a change from the conditions of 1991.

Slower milk production growth, coupled with some increased demand, resulted in relatively strong milk prices in the first half of the year. Milk prices remained at or above year-earlier levels through October.

## Milk Production and Farm Prices

Expect milk production to grow about 2 percent in the first half of 1993, driven by a slower decline in cow numbers and continued increases, albeit smaller ones, in output per cow.

I look for this growth to slow in the second half of 1993, with total milk production for the year up one to one-and-a-quarter percent.

Such growth in milk production, coupled with sluggish commercial disappearance, will put a lot of downward pressure on milk prices.

My outlook for price has the M-W (or its replacement) falling over \$2 from the 1992 peak of \$12.59 (at 3.5% BF), to around

\$10.40 during March and April; still well above support, but I see the M-W averaging nearly \$1 lower in the first half of 1993 than for the same period in 1992.

For the second half of 1993, I see a different story. Sluggish milk production coupled with (I hope) more evidence of growth in the U.S. economy stimulating demand, will result in strengthening milk prices.

I look for the M-W to peak by October at \$12.60, about the same peak as in 1992, with second half milk prices averaging slightly above the same period in 1992.

Under my scenario, the average annual all-milk price in 1993 will be nearly 50 cents lower than 1992.

## Consumption and Trade

Domestic demands for dairy products were unsteady in 1992, but overall are expected to increase about 2 percent.

Of some concern has been the sluggish demand for fluid dairy products. Increased sales for cheese and nonfat dry milk accounted for most of the commercial sales gains in 1992.

Retail prices for dairy products are expected to ease in the first half of 1993 as farm milk prices

decline. Favorable retail prices should encourage growth in commercial sale; the big question is whether or not the economic recovery in the U.S. will support increased buying by consumers.

It is hoped that the new Clinton Administration will lead to some economic optimism early in the year.

Another plus for the dairy industry recently has been the increased use of the Dairy Export Incentive Program (DEIP).

This government program subsidizes the export of dairy products, and 1992 DEIP contracts accounted for nearly 2 billion pounds of milk.

One reason for DEIP interest has been lower milk production in the European Community and the emerging democracies of Eastern Europe.

Interest in this program will likely remain high in 1993 as U.S. traders have become accustomed to the program. However, most trades to developing countries hinge on their ability to obtain credit.

## Factors Influencing The Outlook

Some keys to this outlook in-

clude the fact that I do not believe that forage quality and quantity across the country are as poor as some claim; below average for sure, but not poor.

I do expect lower grain prices, especially for corn, to keep the milk:feed price ratio from falling too far.

I also expect a change in the CCC butter purchase price (with a corresponding change in the non-fat dry milk price), which will stimulate increased export sales of butter and butteroil.

I do not look for any major changes in dairy policy, with the exception that there is an outside

chance that legislation will pass increasing the support price 50 cents.

However, this would not go into effect in time to prevent the M-W falling below \$10.60, but may result in higher milk production than I forecast in the second half of 1993, and therefore an M-W peak below \$12.50.

Finally, I am tired of hearing hints every year that bST will become commercially available "next year," so my standard comment has become "even if bST is approved next year, the effect of this technology on milk production and prices will be very small in the first year of use."

## Grange Leader's Conference Held

UNIONVILLE, Md. — Nearly 70 Grange leaders attended the Maryland State Grange Leader's Conference held recently here at the Linganore United Methodist Church.

Leaders from around the state participated in workshops led by the state master, state lecturer, state secretary, state women's activities chairman, state youth and junior leaders, and state deaf activities chairman.

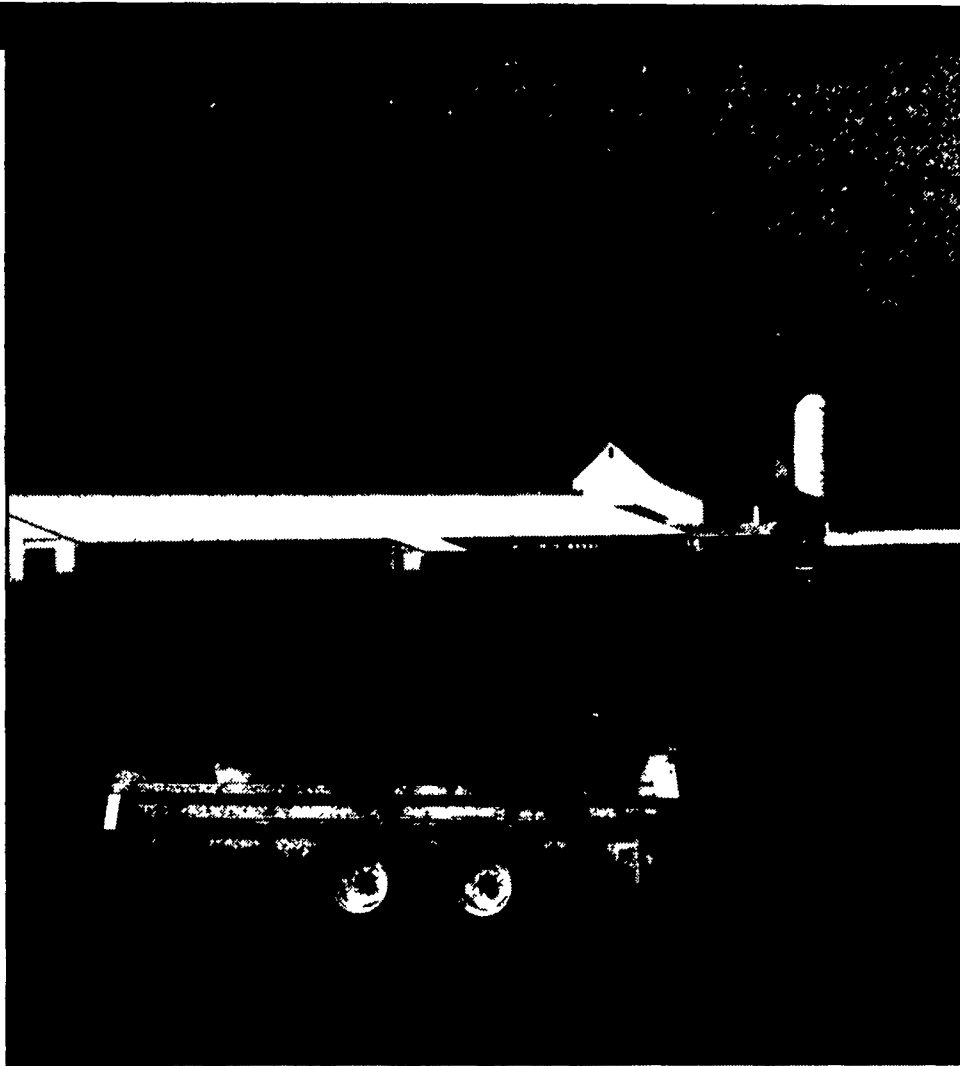
Dates for upcoming events were set and leaders were apprised of programs for the coming year. The following 1993 dates and events were announced:

- State Youth Night, March 27.
- Mid Atlantic Lecturers Conference, Painted Post, New York, May 14 - 16.
- State Grange Picnic, July 25.
- State Talent Contest (including juniors), August 14.
- State Grange Junior/Youth-Family Camp, Wolfe Farm, St. Mary's County, September 24 - 26.

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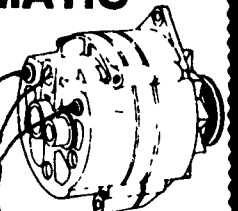
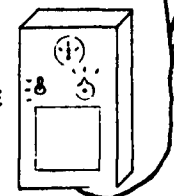


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