

SIOUX FALLS, S.D. — National Farmers Union must continue to lead agricultural policy development as the nation takes a new economic course, Lee Swenson, the national president of the farm group told the organization's 91st annual convention.

"There are still important issues that we need to address," Swenson said. He encouraged the organization's members to continue in the policy formation process. Among issues that Swenson said needed further attention are farm income improvements, the reorganization of USDA, international trade agreements, energy taxation, and health care.

Swenson said the organization must move forward in its policy objectives as the nation downsizes government and reduces federal deficits. "We want to be part of the decision-making process when the proposed cuts for agricultural outlays, totalling \$2.7 billion are made over the next four years," he said.

The NFU president said the farm organization is proposing that farm programs be based on farming units, rather than being doled out according to acreage allotments. "We must target federal support to family farmers, rather than the corporate farms and absentee owners who have


been farming the farm program," he said.

Swenson said the organization had tremendous challenges ahead. "1992 commodity prices were lower than they were twelve years ago. We have lost a quarter of million farmers in the last decade."

It was for those reasons that rural Americans became involved in

the political process, he said. "We saw a need for change and we led the charge to elect a government of change both in the executive and legislative branches," he said.

Swenson reported that he is excited about the new U.S. government and voiced delight with the new Secretary of Agriculture Mike Espy.



MILK CHECK
THOMAS JURCHAK
 Dairy Specialist
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SCRANTON (Lackawanna Co.) — After falling 95 cents during December and January, the Minnesota-Wisconsin Price Series appeared to be bottoming out, mainly on the strength of rising nonfat dry milk prices and steady cheese prices in January and February.

Further drops in the M-W were expected but none so severe as in the past.

That's the way it happened in February, with the M-W falling 15 cents to \$10.74. That's apparently not too far from the bottom for this year. If that happens, the low in March may be a little higher and come a little sooner than expected.

However, the M-W will still be 28 to 30 cents below the \$10.98 price of last March, before it starts the expected seasonal increase during late spring months.

Much of the credit for slowing the fall of the M-W price in February will have to go to increasing powder prices.

From a December average of \$1.09 a pound in the upper Midwest, the price went as high as \$1.16 the last week of February. Powder prices reached the point where butter/powder plants were competing with cheese processors for milk supplies.

Export Subsidy

The increase in demand for powder came largely from the Dairy Export Incentive Program (DEIP). Last year bids were accepted into DEIP for more than 155,000 metric tons of dairy products.

Seventy-three percent, or 113,000 metric tons of that was on nonfat dry powder.

Then USDA announced that it would offer DEIP contracts for 204,000 metric tons of powder in 1993, and in January accepted contracts for 367 and 1,000 tons of whole milk powder.

The bids were accepted by processors and the powder got made, but now there are delays in exporting it and powder prices are falling back to January levels.

Some processors are offering powder out of storage below current market prices fearing further price drops if exports don't start moving soon.

Another export situation to watch is grain shipments to Russia. Moscow has defaulted on more than \$300 billion of U.S.-backed loans for grain and other farm products. If we cut off their credit, some of the 16 million tons we had hoped to sell them may stay here and affect feed prices.

Cheese Prices Up

One of the best things about the dairy industry is that you have so many products to sell that you don't have to rely on a single market.

This month you have an example of the benefit of diverse products and markets — weakening powder prices being offset by increasing cheese prices. That may keep the M-W from falling much more this spring.

Cheese prices had fallen to a low of \$1.16 by Jan. 15, but never dropped further because powder prices went up.

Since then, cheese prices have increased 3- and 4-cents per pound to within 1 cent of what they were at the end of 1992.

After staying flat for six weeks at \$1.16, the price of cheese blocks jumped 3 cents, and barrel prices went up 4 cents per pound, within two weeks. Those were the first increases since last October.

Some market watchers feel this is too much of an increase and too soon to be sustained, but that depends mainly on milk supplies. And in January the milk supplies increased less than 1 percent over last year.

Yet to come is the effect of the "storm of the century" that was occurring as I wrote this.



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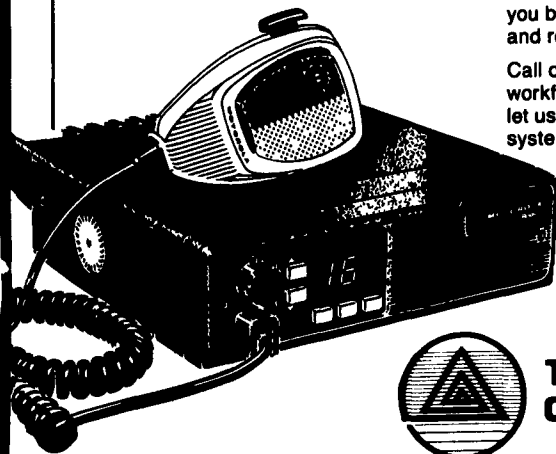
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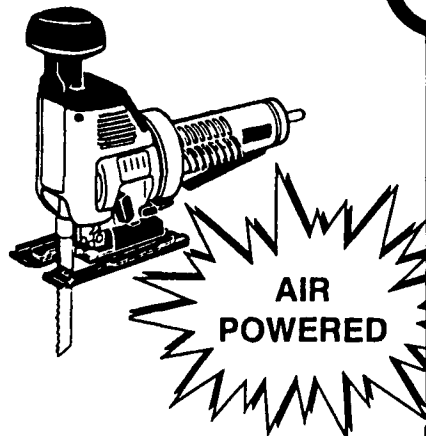
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