

USDA Dairy Outlook Projects Slightly Lower Prices

WASHINGTON, D.C. — The outlook for the dairy industry in 1995 is to expect slightly lower prices for milk and cull cows, while total cow numbers can be expected to decline, according to a recent report by the U.S. Department of Agriculture Economic Research Service.

The USDA's Economic Research Service publishes a quarterly supplement to its regular projection report, Livestock, Dairy, and Poultry Situation and Outlook.

The most recent update of the Service's projections was published Feb. 27.

In its entirety, the report follows:

"This year is shaping up as one of rapid growth in milk production, strong domestic demand, and (at least for a while) commercial exports of butter. A modest (possibly small) surplus and only a moderate price decline is in sight.

Strong Output Ahead

"Milk production is projected to be strong in 1995, rising 2 to 3 percent from a year earlier.

"The robust milk prices of 1992-94, continuing adoption of bovine somatotropin (BST), and generally favorable feed supplies will support the expansion.

"A 3-percent rise in milk per cow is projected to easily outweigh a fractional decline in milk cow numbers.

"Structural adjustments may be particularly sensitive to price changes. Changes in milk cow numbers in recent years are consistent with the simultaneous existence of a relatively large group of producers on the verge of exit and another on the verge of entry or major expansion.

"Expected 1995 milk prices probably will cause declines in milk cow numbers to resume soon.

"Declines in milk cow numbers will be mitigated by a large herd of replacement heifers and continued low cull cow prices.

"On Jan. 1, there were more than 43 heifers per 100 milk cows, continuing the relatively high ratio of recent years. Stable, relatively high replacement prices in recent years have encouraged retention of heifer calves. In addition, many exiting dairy farmers continue to raise heifers after disposing of their milking herd.

"The increase in BST use in 1995 is projected to be similar to 1994. After generally favorable initial experiences, experimenters (estimated to have been almost a third of herds in 1994) probably will inject more of their cows.

"Some producers will begin experimenting with BST, but these may be largely offset by early experimenters who conclude that BST use is not profitable for them at this time.

"The milk-feed price ratio is expected to run close to 1.6 in 1995, similar to 1994's moderately unfavorable level.

"These ratios will provide only modest incentive to boost concentrate feeding and milk per cow. However, more ample supplies of good forage should help milk per cow during the first half.

"In February, final estimates of 1989-92 milk production were released, as well as the normal revisions of 1993-94 data.

"In general, the revisions did not greatly change the picture, although they did imply more structural change in the early 1990s than previously thought. More Midwestern farmers exited (particularly in the Corn Belt), while Western growth was slightly faster.

Wholesale Prices May Slip

"Spring milk supplies are expected to be large enough to reestablish stability in wholesale dairy markets at prices (except for butter) below current levels.

"However, commercial exports of butter, large Dairy Export Incentive Program (DEIP) exports of nonfat dry milk, and apparently

strong domestic sales of major products hint that prices might be higher than currently expected, even if milk production expands briskly.

"Current market tightness is ambiguous because it may have resulted either from heavy final sales, or advanced buying for pro-

tection against future tightness.

"Nonfat dry milk prices in most areas are expected to be near the support purchase price this spring.

"Contracts under DEIP are not projected to absorb all of the flush season surplus of powder. This loosening of the nonfat dry milk market and stronger Midwest milk supplies should erode cheese

prices.

"Price weakness is particularly likely if pipeline holdings of cheese and nonfat dry milk have swollen recently.

"Butter prices probably will run near current levels if international prices decline seasonally as expected."

Researcher Uses DNA To Track Down Culprit

UNIVERSITY PARK (Centre Co.)—A researcher in Penn State's College of Agricultural Sciences is using DNA evidence to help California authorities track down a culprit.

But this work is not part of a high-profile murder case. The culprit is the Mediterranean fruit fly, and results of DNA studies may help California officials to identify the source of medfly outbreaks, with an eye toward stopping the pest's introduction and spread into that state's fertile agricultural regions.

"California and the U.S. Department of Agriculture have spent hundreds of millions of dollars in the past two decades trying to control medfly infestations," said Bruce McPheron, associate professor of entomology. "If we can develop genetic 'fingerprints' that show us where these medflies are coming from, authorities may be able to block their introduction.

"Genetic markers also could help us to determine whether an infestation is the result of a new introduction, or the resurgence of an old one that had been reduced to nondetectable levels by eradication efforts," he said. "That, in turn, could help us to improve control strategies, tell us where to look for natural enemies and minimize the use of pesticides."

At stake in the medfly war is California's \$18 billion-a-year agricultural industry and its status as a major exporter of fresh fruits and vegetables. Should medflies

be found in agricultural regions, produce from the state could be embargoed by trading partners such as Japan, costing California growers as much as \$6 billion annually in lost export sales. Restrictions on the movement of California produce, coupled with actual damage done by the pest, also could reduce the amount of fresh fruits and vegetables available to U.S. consumers and drive up prices in supermarkets.

McPheron and colleagues from USDA and the Florida Department of Agriculture have identified genetic markers common to medfly populations from different regions of the world. The researchers believe these DNA "fingerprints" can help them narrow the source of medflies found in California in recent years.

"For instance, officials have thought that fruit illegally shipped to California from Hawaii was a likely source of new medfly infestations," McPheron said. "But data we've collected so far shows that California medflies appear to be of a different genetic type than those found in Hawaii, indicating that these California medflies probably originated somewhere else."

The Mediterranean fruit fly is a serious threat to crops in tropical and subtropical areas where it becomes established. Medflies are thought to have originated in equatorial Africa before spreading to the Mediterranean region in the early 1800s. During the last 150

years, they have spread to South and Central America, Australia, Hawaii and other areas, mostly by hitchhiking with humans and their cargo.

The pest damages fruit by laying its eggs inside the fruit's skin. After hatching, medfly larvae feed on the pulp, rotting the fruit and making it unsaleable. The fly is attracted to more than 250 varieties of fruits and vegetables.

Medflies have been found nearly every year in California since 1975. When medflies are discovered, California authorities impose a quarantine on produce from the affected county and begin eradication efforts, sometimes including controversial aerial spraying of the pesticide malathion. Although medfly infestations so far have occurred largely in urbanized areas surrounding Los Angeles, officials fear their spread to production agriculture regions.

McPheron said the results of this research could go beyond the California medfly problem. "These DNA fingerprinting technologies could be used to combat other pests," he said. "When a foreign plant pest is found at a port of entry, inspectors sometimes aren't sure what it is or the risk it presents in the U.S. For some pests of economic quarantine significance, it would be useful to have genetic methods to identify them so we know what measures are needed to address the problem."

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