

## Will You Benefit From Electricity Deregulation?

UNIVERSITY PARK (Centre Co.) — The imminent deregulation of the electricity industry could have a significant impact on Pennsylvania companies and consumers, and people will need to be ready for the changes deregulation will bring, said an agricultural engineer in Penn State's College of Agricultural Sciences.

In December, Pennsylvania Governor Tom Ridge signed a law to deregulate the generation of electricity in Pennsylvania, making it a competitive industry. Previous deregulations have involved

trucking, airline travel, natural gas and long distance telephone service.

"In 1996, Pennsylvania consumers spent \$10 billion for electricity," said Dr. Dennis Buffington, professor of agricultural engineering. "If the price of electricity drops to the national average because of deregulation, then Pennsylvania consumers will save \$1.5 billion per year. The savings could rise to \$2.5 billion per year if rates drop to the anticipated competitive prices when deregulation is fully im-

plemented."

One-third of all residential, commercial, and industrial customers must have freedom of choice in selecting an electricity provider by January 1, 1999. Two-thirds of all customers must have choice by January 1, 2000, and all customers must have it by January 1, 2001.

Deregulation will result in many changes, and utility companies already are establishing pilot programs to gain experience with the deregulated environment.

"The state Public Utilities Commission currently guarantees investor-owned utilities the opportunity to make a profit," Buffington said. "In the competitive environment, these companies will no longer be guaranteed a profit. Rural electric cooperatives have never been guaranteed a profit, since they are operated as nonprofit cooperatives."

Electricity pricing will change. "Today, pricing options are limited and relatively easy to understand," Buffington said. "In the deregulated environment, there will be many pricing options and some may be very complex."

Customers also will have more choices. "Today you buy just your electricity from your designated utility company," Buffington said. "Soon, utility companies will offer many products and services, which may include propane diesel fuel, energy services, financing, equipment and maintenance."

In addition, many organizations will be vying for your business. "You can expect pesky phone calls just when you are sitting down to enjoy supper," Buffington said. "If that happens, investigate offers that sound too good to be true. They probably are."

Consumers should begin to become better informed in order

to respond to the upcoming deregulation. First, become aware of your own electricity needs. "Document how much electricity you use and when use it, then identify what equipment or operation uses the most electricity," Buffington said.

"If you're a farmer, document how much electricity you use, both in kilowatt hours and dollars, to produce 100 pounds of milk, one dozen eggs, one pound of meat, one flat of bedding plants or one bushel of fruit," Buffington said. "After you have carefully documented how and when you use electricity, then you will be able to negotiate effectively to get the best buy for electricity."

More information about deregulation is available from your utility company, trade journals, the Pennsylvania Public Utility Commission, or from Agricultural and Biological Engineering Extension, The Pennsylvania State University, 246 Agricultural Engineering Building, University Park, PA 16802.



### Glenn's Udderings

By  
Glenn A. Shirk

Lancaster Extension  
Dairy Agent

#### Purchasing Feeds

If you are purchasing feeds, you also have several management options.

1. Buy feeds at harvest time or as you need them. If you buy feeds at harvest time and lock in their prices, you can take delivery immediately, or at a later date. To take immediate delivery you assume the cost of storage and the risk of storage losses. If you take delivery at a later date, expect to compensate someone else for these costs and risks.

Either way, you tie up capital for several months, but the interest on this capital can be peanuts when compared to the potential savings in feed costs and to the peace of mind of knowing that you have secured the feeds you need to — and at a known cost. That's good business! If you take out a loan or note to make these early feed purchases, the loan payments may begin immediately — before you start generating income from the use of these feeds. Therefore, to protect your cash flow, you may want to ask your lender about lines of credit and other forms of creative financing.

2. Work with your feed company, your broker, or your supplier and lock in supplies and prices of feed supplements and commodities when prices become favorable.

3. Buy in bulk to take advantage of bulk discounts. If beneficial, cooperate with neighbors to assemble bulk orders.

4. Shop and negotiate for favorable prices. Strive for early payment discounts. If appropriate, hedge feed prices, and rely upon the advice and service of experienced brokers if necessary.

5. Remember, when you buy direct, you are in charge of quality control. Be sure you get the quality and weight you paid for. Collect representative from EACH delivery. Accurately identify and label these samples and set them aside for future testing if circumstances dictate that you do so, circumstances such as: poor herd performance, residues in meat and milk, etc. Also analyze samples for moisture and nutrient content so you can balance rations more accurately.

GLENN A. SHIRK  
Extension Agent - Dairy  
Lancaster County

LANCASTER (Lancaster Co.) — Dairy herd profits are affected greatly by the price, the quality and the availability of feeds. Thus, feed inventories can be thought of as good business insurance, a form of insurance that can also be utilized and converted to income.

One good way to manage your business risks is to lock in the kinds and quality of feed you need for the next year — at reasonable prices. The best time to do this generally is at harvest time; that's when the selection of feeds is greatest and prices are generally more reasonable. Basically, you have two choices: growing your feed or purchasing it.

#### Growing Your Own Feeds

Growing your own feed can be economical, but not in all cases. To be sure, you need to carefully consider ALL costs, cash and non-cash, including labor, feed storage, land charges, interest, taxes, repairs, field and storage losses, as well as the obvious production costs. When you consider all these costs, your home grown feeds may be more expensive than you think.

If you grow your own feeds, you have several management options:

1. Grow all your forages and grains.

2. Grow all or part of your forages, but purchase your grains, especially if you are short on land and if you can purchase grains cheaper than you can grow them. Also, be aware of the fact that forages produce more feed nutrients per acre than grain. This translates into higher milk yields per acre and more income per acre.

3. Do all the field work yourself.

4. Hire a custom operator to do all or some of your field work in order to reduce your cost of owning, operating and maintaining expensive field equipment. It also reduces the demands on your own labor so you have more time to manage the herd and perform other critical tasks.

5. Share field machinery with your neighbors in order to reduce machinery investment costs.

## Wanted

Within 60 miles from Lancaster, PA.  
1000-2000 head - early wean nurseries.  
Remodel existing buildings or build new one.

We offer:

- \* A contract you can count on
- \* Positive cash flow & Depreciation write-offs
- \* Quality Service Personnel
- \* PIC Genetics

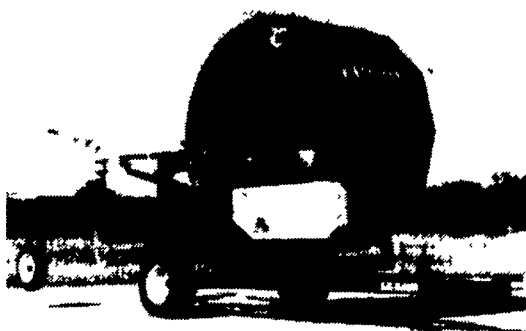
Call Dave Heckel  
1-800-432-3040



## IRRIGATION SEASON IS COMING

We specialize in irrigation design and engineering.

If you are looking for sprinkler systems, traveling guns, a drip system or a slurry system, call us. We will design a system for you



#### Travelers

AG-Rain  
Cadman  
Evergreen  
ABI

#### Sprinklers & Guns

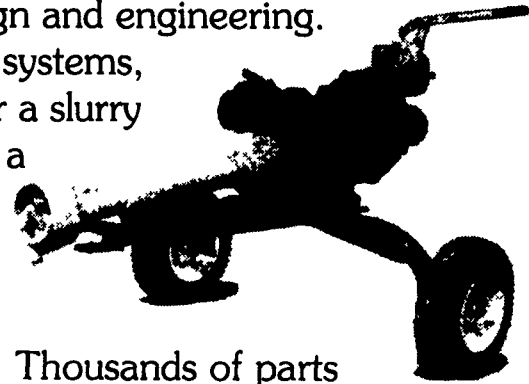
Rainbird  
Nelson

#### Pumps

Kifco Caprari  
Cornell  
Monarch  
Marlou

#### Power Units

John Deere  
Cat.



Thousands of parts  
in stock to fabricate  
any part you may  
need.



## ZIMMERMAN IRRIGATION INC.

RD #3, Box 309, Mifflinburg, Pa. 17844

1-800-452-5699