

# Pennsylvania Milk Marketing Board Approves 40-Cent Increase

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Therefore, on May 1, 1998, the over-order premium is set to return to 50-cents.

Close to, but prior to that time, it can be expected that the PMMB will again hold a public hearing to gather information to help guide its policies.

Just less than half of all milk sold in Pennsylvania is used as fluid milk and receives a federal Class I use rating.

The federal government uses a formula to determine minimum federal order prices. The nation is divided into "milk pools" and the federal orders reflect those pools, though the relevance of the relationship between local prices and local milk availability has been dimming in recent years with mergers of producer and milk marketing cooperatives.

Furthermore, the whole program is undergoing change as prescribed in the 1996 Farm Bill, and the Farm Bill calls for a reduction in the number of different federal orders.

In general, the USDA sets monthly national minimums for each federal milk marketing order by considering market prices of milk and related dairy products, as well as production prices. It also considers how the milk is used.

An USDA federal order admini-

strator announces the prices, and provides data on milk usage and volume.

Farmers receive their pay for milk after it is used by a processor. The processor decides how best to use the milk to supply its markets, and then pays the farmer based on those decisions. The farmer usually also gets billed for hauling the milk to the processor.

The PMMB is an oversight and consumer-interest board for the dairy industry in Pennsylvania, charged with the mission of ensuring a safe, reliable milk supply, and protection of farmer-pay from the sale of milk, among other mandates.

It has the authority to set minimum retail and wholesale prices on milk sold in Pennsylvania, and to set an over-order premium (money that gets paid to farmers above the federal marketing order minimum price) on drinking milk produced, processed and sold within Pennsylvania.

The Oct. 10 special hearing of the PMMB to reconsider the level was held at the recommendation and request of state Secretary of Agriculture Samuel Hayes Jr., whose reasons included severely declined milk prices, increased feed prices, and decreased crop production (currently the entire state is eligible for disaster assistance via federal low-interest

loans).

Upon learning of Secretary Hayes leadership in calling for the special hearing, the state's leading agricultural organizations joined in support.

Secretary Hayes also testified at the Oct. 10 hearing, as well as did representatives of the farmer organizations.

"My testimony is not going to be a statistical treatise about milk prices. I have poured over numbers, charts, coefficients, graphs, tables, diagrams, and other data," Hayes told the board.

"However, after all of the economic analysis, you come back to one fundamental fact: dairy farmers are receiving approximately 30 percent less for their milk today than they did last year.

"Dairy farmers cannot survive this type of economic depression forever."

He said that while some continue to offer that, "Farmers need to be better managers," an oft-repeated phrase of no specific help, Hayes argued that today's Pennsylvania dairy farmer is an excellent model of efficiency.

"There are over 3,000 fewer farms, 92,000 fewer cows, but the remaining dairy farmers and their cows have increased total available milk by 400 million pounds," Hayes said, comparing 1996 data to that of 1986.

"The dairy farmer knows how to be a good manager. But, it is pretty hard to manage over an extended period of time through a depression-like environment which brings about a 30-percent drop in your revenues."

He said that though individual states cannot change the federal order milk marketing structure, Pennsylvania has the opportunity to adjust its over-order premium to provide some relief to instate producers.

"Such an opportunity will not solve all of the problems which are inherent in the federal pricing system. Nevertheless, we should do what we can to provide some measure of empathy and economic relief for our embattled dairy farmers."

He said that he wanted to, "... respectfully suggest we should be guided by a few principles when considering the dairy farmers' plight."

He said that the first principle should be the prevention of the loss of the state's dairy business.

"You and I do not want the dairy industry to become an offshore industry as happened with Pennsylvania's steel and textiles.

"From 1956 to 1996, Pennsylvania employment in the primary metal industry dropped 74 percent.

"Textile and garment employment in Pennsylvania dropped 75

percent during this same period.

"Do we want the same for the Pennsylvania dairy industry which generates approximately 38 percent of Pennsylvania's agricultural economy? Do we want our dairy industry to migrate out of Pennsylvania and off-shore as has happened to steel, textiles, and the garment industry? I think not."

He said his second principle was the prevention of the loss of diversity in the dairy industry through the attrition of family farms and the take over of mega corporations.

"Big is not a bad word; but, it should be possible for the individual dairy farmer to grow larger, enjoy the economic advantages offered by economy of scale, without the need to sell out to mega-corporations," he said.

He said the third principle should be to ensure that consumers do not suffer a surge in shelf price.

"A few things should be noted. While dairy farmers have experienced a 30-percent drop in their prices (received), consumer prices for retail dairy products have remained fairly stable. For sure, consumer prices have not dropped 30 percent.

"It should also be noted that for every dollar spent, only 23 cents covered the farm value of food purchases, and the rest, 77 percent, was marketing costs.

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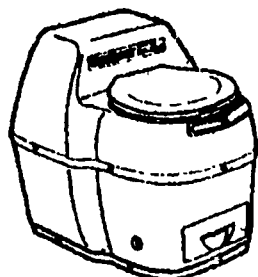
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