

Optimistic Future for Pennsylvania Dairy Industry

MIDDLETOWN (Dauphin Co.) - Increased consumption plus emerging technologies plus increased exports plus product innovation equal an optimistic future for Pennsylvania dairymen. The clear message at the Pennsylvania Dairy Futures Conference held in December in State College was that there is tremendous opportunity for the dairy industry, and Pennsylvania can remain a key player in the picture.

Monte Hemenover, director of industry affairs for Protiva, brought the clearest message of unlimited potential, and emphasized the need to keep milk production in the northeast to provide for the demand throughout the eastern United States.

Hemenover challenged the farmers present to use their professional service providers (bankers, nutritionists, veterinarians, feed dealers) as a "board of directors," giving them the responsibility to help in meeting the goals of the farm. He encouraged entering into contracts to ensure delivery of service.

With cheese driving the price of milk, Hemenover noted that cheese consumption doubled in the last 20 years, with 68 percent of that consumed away from home. A modest increase in per capita consumption would reap enormous gains in demand for milk to fill that consumption.

He stressed that the industry needs to provide consumers with what they want, adapting products to meet demands, and packaging them creatively to compete.

Dr. John Lord, professor and chairman of the food marketing department of Saint Joseph's University, Philadelphia, echoed the theme of providing innovative products. He noted that dairy products have many features which should be exploited to meet consumers' demands for healthy, flavorful products. Its calcium content is a natural for the health conscious, but doing seasonal flavorings creates demand. He noted some of the emerging beverages which offer attractive flavors and convenient containers. Lord said that "value-added" and "attention to consumer preferences" will be the keys to success for the dairy industry.

Bill Eby, editor of the Kiplinger Agriculture Letter, emphasized the importance of the shrinking world in providing opportunities for the dairy industry. "We must think in global terms," he said, adding that the trend to fewer farms but larger herds will continue. "The surviving producers will be better operations." He noted that the largest 20 co-ops market 60 percent of all the milk sold in the U.S., and said that the newly proposed Dairy Farmers of America will market 25 percent of the nation's milk. He added that the larger co-ops will become more diversified.

Dr. Robert Yonkers, dairy economist for Penn State, said, "We do have a vibrant dairy industry," citing Pennsylvania's continuing dairy producing strength relative to the other traditional northeast and upper midwest states. He noted the large differences in production per cow from farm to farm, and challenged dairymen to apply current production technology and increase their production per cow.

Jonas Kauffman, Pennsylvania Farm Credit, noted that there is no one way to operate a profitable dairy business. "Different management styles can be successful, but managers should be good at what they do. Find your way, get good at it, and manage like crazy." He encouraged producers to find the right mix of capital and labor, and to strike a balance between milk production per cow and cost of production. He emphasized that it is important in controlling costs to respond to the three biggest expenses.

John Ligo, dairyman from Mercer County, and Dan Ulmer, dairyman from Centre County, both shared personal experiences. Ulmer stressed his understanding of the need to find quality family time while managing the operation effectively. Ligo noted the importance of dealing with people who want to provide excellent service along with the product. Both of these successful Pennsylvania dairymen shared their optimism for the future of the Pennsylvania dairy industry.

Dairyman Ligo captured the positive outlook for the industry in his "Thirteen reasons why dairy is good in Pennsylvania."

1. Milk prices are higher now than they were in 1995 and 1996. And they are rising!

2. Milk production per cow is up in Pennsylvania over the last year.

3. Feed is relatively inexpensive and currently relatively available.

4. Infrastructure and University support are still very good in Pennsylvania.

5. There are new mechanisms available for hedging prices (BFP futures and cooperative contracts.)

6. Genetics are the best ever offered - and they will be better in six months.

7. Industry enjoys consumer goodwill and positive public image.

8. There is more dairy product advertising in place than there has ever been and it is more effective than it has ever been.

9. There are exciting new products and new packaging.

10. New fractioning processes for milk will provide specific new products for food and industrial uses.

11. Foreign demand will soon outstrip what other dairy export countries can supply.

12. There is less government regulation now.

13. It is significant that the market price of U.S. cheese is finally on a par with the world price.

The Pennsylvania Dairy Futures Conference was spon-

sored by the Pennsylvania Dairy Stockholders in conjunction with Penn State's Department of Dairy and Animal Science and the Pennsylvania Department of Agriculture. For additional information concerning the conference of the Pennsylvania

Dairy Stakeholders, contact N. Alan Bair at 777 West Harrisburg Pike, Middletown, PA 17057 or by calling 717-948-6328.

Number Of Farms Unchanged In State

There were 50,000 farms in the Commonwealth of Pennsylvania as of June 1, 1997, with 7.7 million acres. The good news is that this is the same as last year. The average farm size was also unchanged at 154 acres.

In the 1997 data, there were 24,000 farms with 1.8 million acres of land producing \$1,000 up to \$10,000 in gross sales annually. For sales between \$10,000 and \$100,000 there were 17,700 farms with 3 million acres of land. And there

were only 8,300 farms with 2.9 million acres of land that produced gross sales over \$100,000 annually.

On the national scene, the number of farms in 1997 is estimated at 2.06 million and this number is less than one percent lower than the 1996 figure. Across the country, we have 968 million acres in farmland, also relatively unchanged. Average farm size at the national level is 470 acres.

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