Oil Price Hike May Squeeze Ohio Farmers

COLUMBUS, Ohio– Recent huge increases in oil prices are going to financially pinch some Ohio farmers still struggling from two years of low crop prices and last summer's drought.

World oil prices rose in response to the Organization of Petroleum Exporting Countries' (OPEC) actions to limit their member states' production. On Ohio farms, the impact will depend on whether farmers bought fuels and other crop production inputs before the big price increase, said Ohio State University agricultural economist Allan Lines. Farmers often reap preseason dealer discounts by buying supplies during the last months of the calendar year.

Farmers who haven't purchased supplies may see increases as high as $10-15 per acre for non-land operating costs, which are the variable costs of putting out a crop, Lines said. Fuel costs alone may increase by $10-12 per acre, he said.

"These numbers become significant as you apply them across all of the acres you farm," Lines said. "For a 2,000-acre operation, that's an increase of $20,000 up to as much as maybe $30,000."

Oil prices have a ripple effect through a farm operation, Lines said. "It's not just fuel costs alone that will increase, because energy costs are embedded in just about everything else in one way or another," Lines said.

The most direct impact would be on diesel fuel to power farm equipment and trucks, and propane used in grain dryer operations in the fall, Lines said. A 50-percent increase in energy prices would raise these costs by the same percentage, he said.

Another important input is nitrogen fertilizer, a natural gas-based product. Lines figures a 50-percent increase in the price of natural gas would raise nitrogen prices by about 20 percent. However, because of the current excess in nitrogen fertilizers in the world, it will be difficult to pass this price increase on to producers.

Other cost increases, based on a 50-percent energy price hike, are: machinery and labor costs, 20 percent; lime and farm chemicals, 8 percent each; phosphorous and potash fertilizers, 7 percent; seed, 1 percent.

The lingering question is the effect of continued high prices on the longer-term costs of production, Lines said. If the current 50-percent increase remains intact, farmers will have to bear significant cost increases in the 2001 growing season, he said.

"If you have a 50-percent increase in the price of energy maintained over time, and manufacturers are able to pass 100 percent of this cost increase on to producers, overall that would raise the sum and substance of variable costs by an average 18 percent over a year," Lines says.

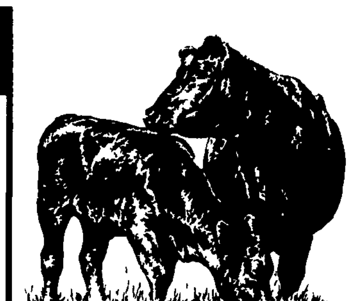
And the prospects for a long-term price increase are not quite clear at this time, Lines said. "Is OPEC going to be able to maintain a tight market? Right now they aren't suggesting a major increase in production."

"All we can say is look back in history. These kind of spikes have not been sustained, but we can't really say for how long this spike will last, or maybe it's a new plateau."

Farmers don't have many options for managing the effect of the oil price increases, Lines said. Cutting back on inputs could be short-sighted by saving costs at the expense of reducing the farm's crop yield potential and gross income from crop sales.

Topping the management agenda should be a renegotiation of land rents to reflect the higher costs of production, Lines said. Hopefully, landowners will be sympathetic, and if not, farmers will have to bite the bullet, financially.

Another strategy would be to plant more soybeans, which depend on fewer petroleum-based inputs than corn, Lines said. About one-third of all non-land inputs for corn are energy related, compared to one-fifth for soybeans. The downside is that grain markets are swamped with soybeans, and higher supplies further depress prices.



Adadc Turns A Negative Campaign Into A Positive Milk Message

SYRACUSE, NY – Through working with the New York State Health Department and local Healthy Heart programs, the American Dairy Association and Dairy Council, Inc (ADADC) put a positive slant on the Center For Science in the Public Interest's (CSPI) normally negative campaign.

The CSPI Campaign–offered free to health organizations around the country–uses negative TV, radio, and print information about the amount of fat in whole milk to persuade consumers to switch to 1% or fat-free milk. To avoid using negative references to any category of milk, ADADC worked with Department of Health and local Healthy Heart program in Rochester and Albany to design public service announcements and consumer events that focused on the positives of lowfat and fat-free milk consumption

The local CBS, NBC, and FOX affiliates were on hand at a press conference in Rochester, where blindfolded community members tried their hand at identifying whole, 2%, 1%, and fat-free milk ADADC also distributed samples of fat-free hot chocolate milk to show consumers nonfat doesn't mean non-tasty Taste tests were held throughout the region over a six week period between January and February 2000 Results are still being calculated.

What did residents think of the campaign? "There's a perception among consumers that if something is low or nonfat, it can't possibly taste good," says Beth Meyer, Public Relations Specialist for ADADC "It was a real surprise for many people to realize they couldn't taste a difference between the milk they generally drink and a lower-fat one And, since *taste is till the primary decision maker*, we helped many consumers enjoy drinking milk again."

In addition to the Rochester and Albany programs, ADADC also helped provide materials for programs in Cortland County and Delaware County In addition, ADADC arranged for a local Registered Dietician to be featured in an interview on WBRE (NBC) Wilkes-Barre, in conjunction with a program in that city