

Volatile Year For Dairy Industry

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Then, once farmers made it through the drought, the crash came. In November, milk prices fell significantly. And in January, milk prices were reported at a 22-year low with the BFP price at below \$10 per hundredweight.

Farmers are still reeling from the low milk prices. Some Pennsylvania producers banded together to picket dairies and call for help from legislators. Others pressed for a new pricing system.

At the same time, federal order reform took place, merging 31 orders into 11. Some things that came along with the federal order reform were multiple component pricing, prices based on the NASS survey, and the elimination of the BFP price.

"We're still trying to figure out the impact of the order reform," said Bailey. "We know

that prices are lower now than they were last year. But most of it is due to the increased cheese stocks. The question is if any of it is due to order reform."

Pennsylvania farmers did get some relief from the low milk prices through the Pennsylvania Milk Marketing Board's over-order premium paid on all Class I milk produced, processed, and sold in Pennsylvania.

Earlier this spring, the PMMB Board voted to add a 25 cent temporary increase to the premium to counteract high diesel fuel prices. Currently the Board is reviewing testimony to renew the premium for the next six months.

The federal milk support price was also reported to have helped the low milk price situation. Data showed that without the support price, milk prices could have been much lower than what they were this spring.

Price forecasts for the remain-

der of this year are very conservative because national milk production continues to surpass last year's levels. With the current low feed costs, farmers have continued incentive to expand, increasing production levels.

In April, milk production in the 20 major states totaled 12.4 billion pounds, up 3.7 percent. In Pennsylvania, April milk production was up 2.9 percent.

On a positive note, dairy demand continues to increase. In the USDA first quarter report, commercial disappearance was up 4.4 percent on a milkfat basis.

Butter consumption was up 6.4 percent, American cheese consumption was up 3.5 percent, and other cheese consumption was up 8.5 percent. Nonfat dry milk consumption was down 21.9 percent.

With the past year having so many ups and downs, farmers are starting to consider options to protect their bottom line. For-

ward contracting and hedging can level out some of the highs and lows.

Niche marketing, such as producing organic milk, grazing cattle, marketing dairy genetics, and on-farm milk processing, can also increase the bottom line.

Farmers are also encouraged

to have a business plan and know their cost of production to help prepare for the highs and lows of producing milk.

Whatever strategy they choose, one thing is for certain. After a year like this past one, dairy farmers need to be more prepared than ever to face the challenges of a volatile market.



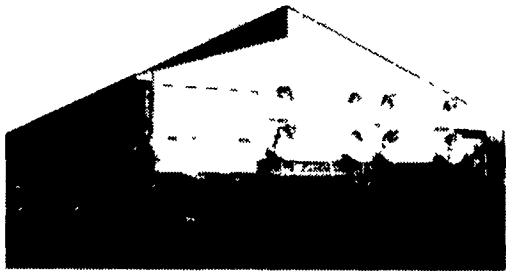
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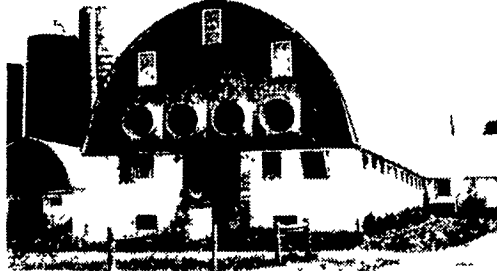
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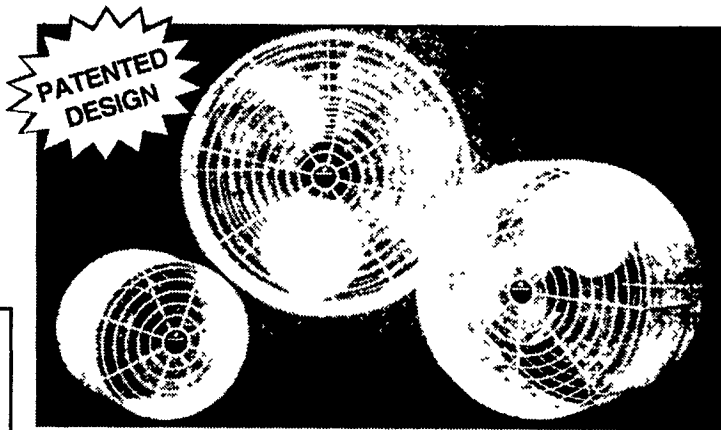
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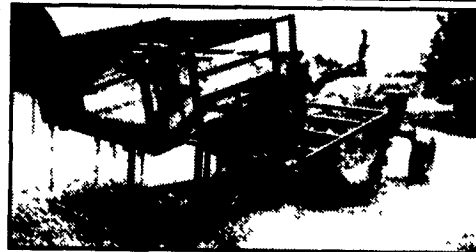
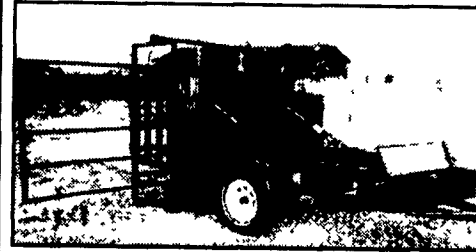
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