

FUTURES MARKETS

(Continued from page A16)

Midwest or other western orders will face the brunt of these adverse market forces. Dairy farmers producing unregulated milk (Grade B or C milk) will face the lowest milk prices at Class III values.

How to alleviate these market conditions? Here is a list of ideas:

Step 1: Someone, anyone, move cheese into the dairy price support program. This will immediately offer market stability. That effort is not without some cost, however. A processor will have to arrange for special packaging and invite an inspector into their plant. That just takes time to arrange.

Step 2. Slow down the rate of growth in cow numbers. This should go without saying, but it is the number one problem in the dairy industry today. Unfortunately, the market will take care of some of this. Some farms will be forced to exit the business. Hopefully larger farms will see an opportunity to slow down their expansion plans.

Step 3. Allocate more milk to butter/powder. Right now the support is on powder. Allocating additional milk to butter/powder production may help stabilize cheese prices. However, it may also reduce butter prices. That would be bad for Class I, II, and IV prices.

Step 4. Slow down expansion into new cheese plants. Perhaps now is the time to reconsider future investment plans in cheese facilities. Others may want to consider whether or not to close down older facilities.

In other news, I just got back from speaking at the 2nd Annual New England Dairy Day in Burlington, Vermont. There was excellent attendance and we had a spirited discussion about milk marketing, consolidation in the dairy industry, and issues related to the Northeast Interstate Dairy December 2000, and \$9.45 to \$9.90 for January through May 2001.

Those areas of the country that have limited Class III use (orders in the east) will effectively be buffered from most of this dramatic price declines. For

example, dairy producers in the Northeast federal order have only 33 of sales used for Class III purposes. However, farmers that market milk in the Upper

Compact. You can download the text to my speech at: <http://www.aers.psu.edu/dairyoutlook/>

Pennsylvania Junior Holstein Association Contest Deadlines

STATE COLLEGE (Centre Co.) — The Pennsylvania Junior Holstein Association contest deadlines are fast approaching.

Junior members reminded that the following contests have January 1, 2001 deadlines. Contests include distinguished junior member contest forms, junior progressive breeder awards, breeder of excellent award, 30,000-lb. Production Award, Total Performance Award, Achievement Scholarship Award, 150,000-lb. Lifetime Production Award, Public Speaking Contest, "PAL" Adult Leader Award, and folding display contest.

Two other contests have later

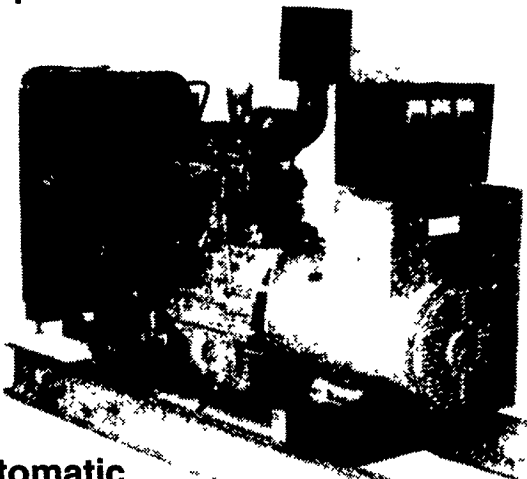
deadlines, including the Dairy Bowl Contest with a Jan. 9, 2001 due date and the photo contest where members bring their entries to the convention on Feb. 2, 2001.

There is one new contest this year, an Extemporaneous Public Speaking Contest. Junior members will enter at the Junior Convention on Feb. 2, 2001 and participate in the contest on Saturday, Feb. 3.

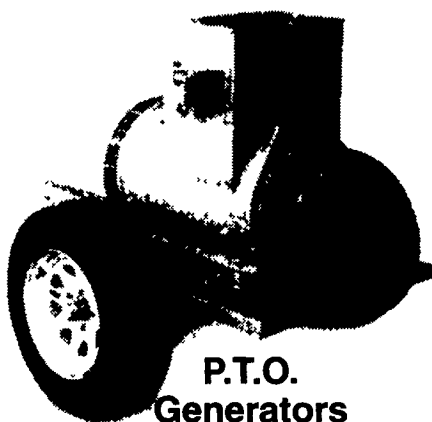
For contest entry forms or additional information on Pennsylvania Junior Holstein activities please contact the Pennsylvania Holstein Association, 839 Benner Pike, State College, PA 16801. Phone: 814-234-0364. Fax: (814) 234-1698.

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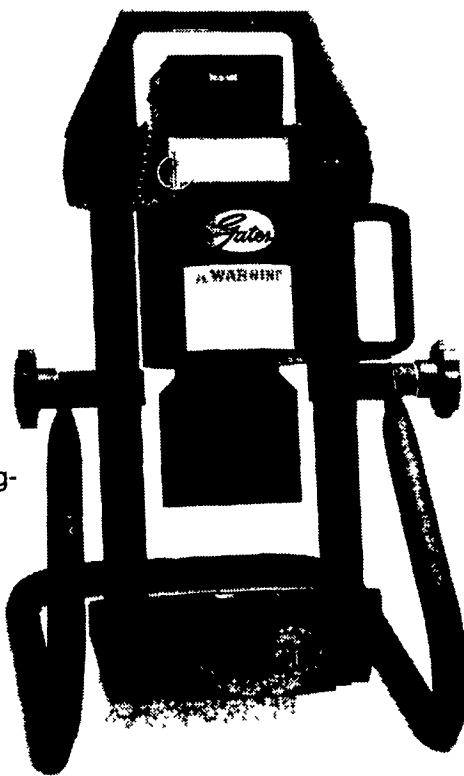
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