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Va., 7 p.m.  
 Southeast Regional Christmas Tree Growers' Meeting, Berks County Ag Center, Leesport, 7 p.m.  
 Chester County Holstein Club Banquet, West Fallowfield Christian School, Atglen, 6:45 p.m., (610) 495-7927.

Wednesday, October 23

World Percheron Congress, Virginia Horse Center, Lexington, Va., thru Oct. 26, (740) 694-3602.

ADADC Meeting, District 1, West Potsdam Fire Hall, N.Y., 7 p.m., (315) 265-2769.

Maryland and Virginia Cooperative District Meeting, Golden Corral, Rocky Mount, Va., noon.

Maryland and Virginia Cooperative District Meeting, Evers Family Restaurant, Mount Crawford, Va., 7 p.m.

All-day seminar on Legal Issues of Childcare, Berks County Extension, Leesport, 9 a.m.-4 p.m., (610) 378-1327.

Introduction to Computers I, Extension Office, Towanda, 10 a.m.-3 p.m.

Thursday, October 24

ADADC Meeting District 4, Old Mill Restaurant, Mechan-

icville, N.Y., 7 p.m., (518) 695-3894.

ADADC Meeting District 2, Copenhagen Fire Dept., Copenhagen, N.Y., 7:15 p.m., (315) 782-6778.

ADADC Meeting District 12, Sunset Restaurant, Auburn, N.Y., 7:30 p.m., (315) 689-7643.

Conference to Highlight Trends and Opportunities in Agriculture, State College, thru Oct. 26, (717) 787-5085.

Maryland and Virginia Cooperative District Meeting, Remington Lions Club, Remington, Va., 7 p.m.

Ag Choice Farm Credit ACA Stockholder Meeting, Penn Stater Conference Center, 11:30 a.m.

Dairy Farm Business Management Training for Central Susquehanna Valley Region, Columbia County Extension Office, Bloomsburg, (888) 373-7232.

Friday, October 25

State 4-H Horse Show, Pa. Farm Show Complex, Harrisburg, thru Oct. 27, (814) 863-3657.

ADADC Meeting District 11, Lansing Methodist Church, N.Y., 7:30 p.m., (607) 292-3425.

Lebanon Holstein Annual Meet-

ing, Trinity UCC Church, Richland, 7 p.m.

Pa. State Association of Boroughs Fall Conference, Sheraton Station Square, Pittsburgh, thru Oct. 27, (717) 236-9526.

Dairy Farm Management Training for Lancaster County and surrounding counties at Lancaster Farm and Home Center, 9:30 a.m.-3 p.m., 1 (888) 373-7232.

Dairy Farm Management Training for Capitol Region at Cumberland County Extension Office, (888) 373-7232.

Saturday, October 26

High Tunnel Autumn Workshop at Penn State Horticulture Research Center, Rockspring.

Raising Goats Field Day, Mifflinburg, 10 a.m.-3 p.m., (814) 349-9856, ext. 6.

Perry County Farm Safety Workshop, St. Paul's Lutheran Church, Loysville, 7 p.m.-8:30 p.m., (717) 789-3110.

York County Cooperative Extension Association Annual Meeting, York County 4-H Center, 6:45 p.m., (570) 265-2896.

Fall Composting Workshop, Patterson Building, Guthrie Square, Sayre, 9 a.m.-noon, (570) 265-2896.

Maryland Shorthorn Association's Dynamic Duo Spotlight Calf Sale, Frederick County Fairgrounds, Frederick, Md., 7 p.m., (301) 898-5152.

Third Annual Fall Antique Tractor Pull, Mason Dixon Fairgrounds, Delta, 11 a.m., (717) 456-9936.

Sunday, October 27

Food System and Agribusiness Executive Management Program, Penn State, thru Nov. 1.

## Weekly Dairy Outlook

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pensive. That's because they rose 6.8 percent from the year before (during these same three months) because of rapidly rising butterfat prices. And butterfat prices this year are down 50 percent from last year. One would expect ice cream prices to have fallen back to their pre-2001 levels. That did not occur.

The same is also true for natural cheese. Protein, the main ingredient in cheese production, fell in value this year. Cheese processors during June-August paid farmers 14.6 percent less than the same months a year ago, yet retail cheese prices rose. In major urban markets, natural cheese rose from an average \$4.04 per pound for June-August 2001 to \$4.32 per pound this year.

Whole milk prices for major urban markets in the U.S. have actually gone down 5.7 percent during the months June-August of this year when compared to the same months a year ago. On the other hand, lower federal order prices (regulated by the federal government) meant fluid processors paid farmers 30 percent less for their milk. Someone is keeping this difference.

Retail fluid milk prices in Harrisburg went down 5.4 percent in October 2002 relative to the same month a year ago. But minimum state milk prices are regulated in Pennsylvania. That means processor margins are fixed by the Pennsylvania Milk Marketing Board and therefore don't necessarily go up when farm prices fall. That is not the case in other states.

This concern over the farm-retail price spread shouldn't be an issue if dairy product sales are increasing year after year. Processors and retailers have their job to do, and farmers have their job. And if sales are going up each year, everyone is better off. Dairy farmers do well in years when sales are strong and inventories are low.

But this logic does not apply this year!

The latest data from USDA indicates that for the first half of 2002, commercial disappearance of all milk (on a milk fat basis) was actually down 0.4 percent,

whereas milk production was up 2.6 percent. For select dairy products, consumption changes for the first half of 2002 relative to a year ago were as follows: butter, up 1.7 percent; American cheese, up 0.3 percent; other cheese, even; nonfat dry milk, down 30.7 percent; and fluid milk products, even.

Strong milk production and weak demand has led to unusually large inventory levels. The latest USDA report for the month of August indicates that butter inventories are up 95 percent from a year ago, American cheese up 13 percent, and total cheese inventories are up 11 percent. These inventories will likely "overhang" the market next year, depressing future prices for butter and cheese. In addition, the U.S. government has 1.2 billion pounds of nonfat dry milk in government storage, more than enough to meet domestic needs for an entire year.

The outlook for the holiday shopping season is clearly uncertain. Again, it's the economy that has been holding consumers back. But that didn't stop the auto companies from offering good deals to their customers. Many purchased new cars with low interest rates, deep discounts, and other favorable terms. Also, computer companies such as Dell continue to lower prices in order to build market share and increase sales. There are ways for companies to deal with tough economic conditions.

Dairy retailers have a rare opportunity to offer quality dairy products to their customers at favorable prices. The wholesale prices for milk, butter, and cheese are at very low levels. That should translate into opportunities to offer these products to consumers at reduced prices, employ sales promotions, and use other strategies to give the consumer a better deal.

Strong holiday sales this last quarter will do wonders for the U.S. dairy industry, mainly by reducing inventory levels and allowing the market to jump-start into a new year. Farm gate milk prices will then be able to recover early next year if inventories are lower and if the growth in the milk supply slows.

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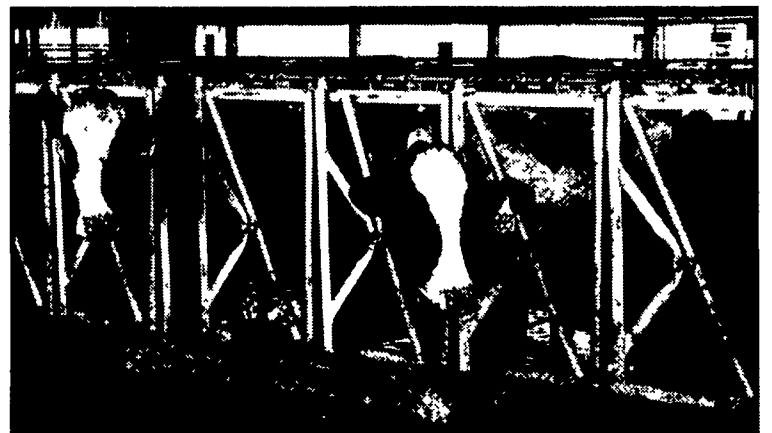
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