

Processors: Work Together

(Continued from Page A21)

market, noted Barr.

The key will be the consumers. Barr said consumers need to be told to "stop watching CNN and visit the malls a little more" to help the U.S. economy to recover.

For most industries, the "over-investment" in technology caused some of the downturn, and businesses will be slow to bring people back. Salaries and benefits remain the most expensive issues for companies.

For 2004, Barr made the following observations:

- The dollar will continue to weaken.
- Interest rates will move higher in 2004.
- Consumers are the drivers of any economic recovery. But there remains no pent-up demand for autos, housing, DVDs, or TVs.

- Energy prices should trend lower since the advent of the Iraqi War and its conclusion. The question remains: who will command the oil fields and where will oil flow?

- Natural gas supplies have not been found as readily as anticipated. That could mean problems.

- There's too much focus on the overall U.S. economy, which is straining world economic growth.

Japan keeps "slipping in and out of recession," noted Barr, which is slowing export markets. Europe cares little about stimulating consumption and will not run a budget deficit in order to do so (like the U.S. does). The next election in Europe isn't until 2005.

Mexico, a strong trade partner, is become self-sustaining with its



A custom sawmill, Peachey's Wood Products, Reedsville, was a tour stop for the ag credit conference attendees Tuesday afternoon.



Lydia Yoder pulls a wagon with colostrum bottles at the Neer Farm.

own production. Growth in China is being fueled simply by its own exports. Asia is adjusting to the SARS disease scare, and Argentina and Brazil, noted Barr, are "basket cases" with little potential for growth. And India is not a big consumer for U.S. products.

Barr remains optimistic on wheat and pessimistic on soybeans. For meats, he remains strong on cattle and temperate on hogs.

For the broiler industry, this will be the first time output will not increase. "I can't remember the last time the broiler industry didn't expand production," he said.

For dairy, in the near-term, Barr noted he remains "pessimistic." But with little grain inventory, he doesn't understand why grain prices aren't stronger.

In overall grain trade, the U.S. share, noted Barr, continues to "go south" while the former Soviet Union continues to increase its exports.

Credit lenders should be aware that, even with the milk loss payments, overall payments in the following year will decrease because most of the money available in the federal program is available this year only.

One of the saving faces for dairy producers is the milk income loss contract (MILC), a "big influence in keeping milk in production," said Bob Yonkers with the International Dairy Foods Association. MILC pays a significant \$1.82 per CWT for April. Government money is keeping many dairies afloat this way.

For dairy retailers, new product competition in the form of calcium-fortified orange juice, manufactured by soda companies, will also work to squelch demand for dairy products. Yonkers pointed to the Dr. Pepper "Raging Cow" drink, with 60 percent milk, along with corn syrup and other flavorings that can be produced at less cost. The money savings can be used to fuel product advertising and promotion.

A ray of hope on the horizon: school districts want more nutri-

tious products for kids in cafeterias, and officials are working on ways to provide milk product vending machines.

For producers, forward contracting helps protect price in the long term. The Jan. 4, 2002 Class III price was \$10.42 CWT, a lot better than most prices received without a contract. "I don't know why some (producers) aren't doing at least a portion of their milk in forward contracting," said Yonkers.

Using forward contracting is a "risk management tool," he said, "not to enhance income, but for other reasons."

Much of the money made by processors is not so much in the product, but on the "logistics and information," said Barr, of moving product. Innovative strategies come into play for processors despite the fact that retail dairy

(Turn to Page A23)

Your Grain Equipment Headquarters



- Weight-Tronix Feed Mill
- Utility Augers
- Air Drying Systems
- Transport Augers
- Feed Bins
- Grain Dryers
- Bucket Elevators
- Wet Tanks
- Parts & Motors
- Stirring Systems
- Grain Bins

We Sell and Install Farm and Commercial Bin Packages. Or We Provide Free Bin-Jack Use With Your New Bin Purchase.



Westfield Grain Augers

8" & 10" Transport Augers (In Stock)

Call For Special Price

- A.) Assembled
- B.) Knocked-Down
- C.) Delivery Available



EMHERR FARM & HOME CENTER

464-3321 or 800-732-0053

www.aceretailer.com/emherr

Herrville Rd. & Rt. 272 South

2 1/2 Miles South of Willow Valley Square

Not Responsible For Typographical Errors

Mon.-Fri.
6:30 am-8:00 pm
Sat.
7:30 am-6:00 pm

ATTENTION FARM OWNERS

ARE YOU PAYING TOO MUCH FOR FARM INSURANCE?



Find out by calling

1-877-209-5428

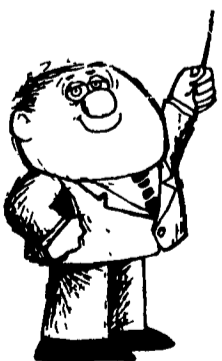
We know farming. Farm Family was founded to serve the unique insurance needs of farmers and the agribusiness community. Many of our agents and employees have agricultural backgrounds which helps us understand the daily challenges of farming. Our business is protecting your business from the pitfalls associated with farming.

Call Farm Family today for a free quote



C. Michael Canby, agent
Claetus M. Canby, agent
1274 Shepherdstown Rd.
Martinsburg, WV 25401

Property/casualty insurance products offered by United Farm Family Insurance Company, Glenmont, NY, in MD and PA, and Farm Family Casualty Insurance Company, Glenmont, NY, in CT, DE, MA, ME, NH, NJ, NY, RI, VT, and WV.



A lesson well learned...

Lancaster Farming's classified ads get results!