



## Lower Production Levels Projected This Year

As I write this, my last column, the report on January milk has just been released. The initial projections show a slight rise in milk production, about 1.1 percent, over January 2006 and that there are 2,000 more cows in the national herd than in January 2006.

These figures show that growth in milk production and cow numbers nationally are beginning to taper off. This trend will likely continue as long as feed prices remain high and the milk/feed ratio continues to be unfavorable to dairy producers. We have already heard concerns from the Western part of the country where they buy most of the feed for their animals. Those producers are really hurting, and it is expected they will need to lower their herd numbers to stay in business.

By the end of the year, I think we will see lower production levels and a reduction in cow numbers. Based on the Class III futures market, it looks like the average milk price will be in the \$15 per hundredweight range for 2007.

However, the prices on the futures market don't tie in with current butter and cheese inventories, which are both higher than a year ago. What has changed since last year is the supply and demand for NFD. Powder inventories worldwide are tight, and the U.S. is able to export NFD at world market prices that are higher than domestic prices. This scenario could keep

powder prices strong for the next year.

A couple of weeks ago, Agriculture Secretary Mike Johanns presented his 2007 Farm Bill proposal. The dairy provisions contained in it include:

- Maintaining the dairy price support program at its current level and maintains the product purchase program.
- Extension of the Milk Income Loss Contract (MILC) program at slightly reduced levels, but continues to make it a counter cyclical payment system.
- Make the National Dairy Promotion and Research program promotion checkoff truly national by no longer allowing Alaska, Hawaii, and Puerto Rico to be exempt from the checkoff. The current Farm Bill requires importers of dairy products to pay an assessment equivalent to the mandatory 15 cents per hundredweight domestic dairy producers pay to the checkoff. The three exempted states and territory have impeded that policy from being enacted due to the WTO legality of the provision.

Other areas of note are a small reduction in crop payments and a substantial rise in EQIP funding. The proposal also makes funds available regardless of their watershed.

As I indicated earlier, this is the last "Plain Talk" column I will write for the *Messenger*. I will be stepping down from my presidency and retiring from the MMPA board of directors during our Annual Meeting on March 20.

Our cooperative is in extremely good financial shape and I believe MMPA is prepared to move forward to serve our ever-changing membership. Even the faces of our board will look slightly different this year as both Harold Clossen and I retire from the board of directors.

Throughout my time as your president, I am truly grateful for the steadfast support of all MMPA members. It is you, the loyal membership base of MMPA, that has made my job rewarding. I appreciate the confidence our board of directors has instilled in my decisions and the support I have received throughout the agriculture industry. I also want to express my appreciation to our dedicated employees who continue to do an excellent job serving MMPA members.

I have done my best to serve all of you faithfully over the past 26 years and have enjoyed the times I was able to spend with all of you. I wish everyone prosperity in the coming years.

A handwritten signature in cursive script that reads "Elwood Kirkpatrick".