

Milk Price Questions & Answers

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cents for butter (at Chicago) and with average yields and 1972 manufacturing margins, cheese plants could afford to pay farmers \$5.54 per hundredweight for milk of average test, while butter-powder plants could afford to pay only \$5.04 — resulting in an average of \$5.29 — the announced support price. Thus, cheese plants will have a 50-cent per hundredweight "break" if, and when, the USDA dairy support program "kicks in".

The government rationalizes this "price break" for cheese plants on the basis of en-

couraging cheese production, to supply consumers an alternative to meat, and allay consumer criticism of high meat prices. But the butter-powder segment of the dairy industry views the cheese "price break" situation as a calamity, since it means butter-powder plants would have to pay 50 cents per hundredweight more than they could afford to do at "support levels", to compete for milk. Since net margins to butter powder plants are only a fraction of 50 cents per hundredweight, they obviously could not afford to do this, and would soon be in serious financial trouble. This

"price misalignment" would hit the Wisconsin dairy industry particularly hard, since Wisconsin is a major butter-powder production state.

Thus, to preserve stability in the dairy industry, the misalignment of butter-powder versus cheese "support" prices should be corrected. This could be done by raising skim milk powder purchase prices another 6.2 cents per pound (to 43.7 cents per pound). This would still be considerably less than the current commercial price of about 45 cents per pound so would not necessitate government purchases. This increase in skim milk powder support prices would raise the price butter-powder plants could afford to pay for milk to \$5.54 per hundredweight for milk of average test — the same price as cheese plants can afford to pay. This would, of course, also raise support prices to \$5.54 per hundredweight — approximately 79 percent of parity, as contrasted to the current 75 percent of parity. However, with the substantial increase in farm costs that are occurring, this does not appear to be an unreasonable level. Most dairy organizations have been requesting a minimum support of 85 percent of parity.

Question: What is the administration's position on the dairy price support program?

Answer: The administration is seeking authority to reduce milk support levels below 75 percent of parity, the present legal minimum, and to phase out nearly all supplemental

payments to farmers over a three-year period, beginning in 1974. With soaring production costs, farmers naturally question this proposal.

The administration is also studying a 50 percent increase in cheese import quotas, which

would bring in an additional 90 million pounds of cheese in the April-July, 1973 period. Dairy groups also oppose this on the basis that the additional cheese imports would depress cheese and milk prices, while production costs continue to increase.

Butz Publicizes Eggs


Secretary of Agriculture Earl Butz, American Egg Board President Dr. L. A. Wilhelm, and eggs in general, enjoyed nationwide newspaper exposure as Associated Press and United Press International released wirephotos and stories of a high-level omelet cooking lesson.

The occasion was the USDA's "See and Taste" egg program conducted by AEB and hosted by the USDA Plentiful Foods staff in Washington on April 30. At the event Secretary Butz received omelet making instructions from former schoolmate Wilhelm to promote eggs as a Plentiful Food item and an inexpensive alternative to higher priced foods.

As flashbulbs popped, the Secretary discussed with Wilhelm the economy and nutritional value of eggs and their ready availability. This information, along with photos of Secretary Butz behind the skillet, was picked up by every significant metropolitan newspaper including the front page of the high-circulating "New York Post," plus hundreds of smaller newspapers across the country. A photo and story also appeared in the May 7 issue of "Time" magazine.

The "See and Taste" program was an omelet workshop conducted by AEB's Home Economist Janet Salstrom, and Eastern Representative Howard Helmer. Following a brief demonstration, 140 USDA personnel also made their own omelets for lunch while learning about eggs. The purpose of the

event was to introduce USDA staff Home Economists, Information Specialists, Program Managers, etc., to AEB's personnel and to learn firsthand about the Board's egg program and promotional plans.



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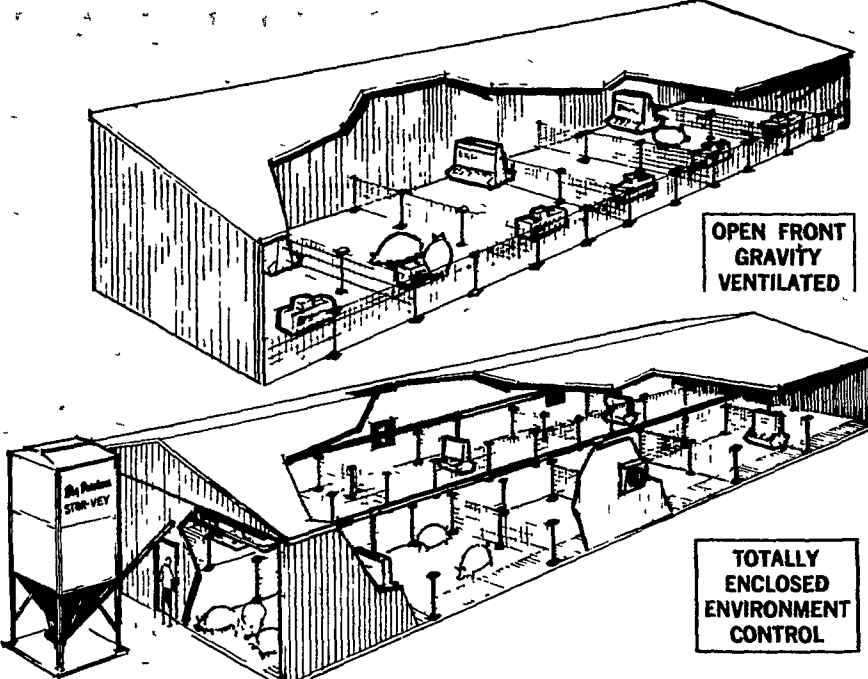
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