Milk Advisory Council Meets

((Editor's Note: This concludes an article begun last week in Lancaster Farming.)

"Faced with the shortages of the past year, the government had no choice but to lift import quotas" Doerring said. "The import quotas by law must keep government purchases within reasonable bounds - that is, of preventing imports from displacing domestic milk and thereby aggravating the surplus which also, under law, the government is required to buy up."

Exports and imports of dairy commodities usually don't exceed 2 percent of our own production. Due to present shortages, it is expected that this year we will import considerably more than 2 percent of our own stock. Doerring said foreign trade with dairy products is a very minor part of the total picture.

The Commodity Credit Corporation normally buys up surplus dairy products at a cost of seven hundred million dollars, but this year it has been buying almost nothing. Furthermore, not only has surplus disappeared, supplies have actually even gone below commercial demands. Hence, we started to import more from abroad.

According to the USDA, the worse shortage in dairy products has been in non-fat dry milk, and imports totalling 265 million pounds have entered this country since last December 30. In spite of this, prices have not dropped and the U. S. Tariff Commission is currently investigating feasibility of allowing more non-fat dry milk into the country. The Department of Agriculture is reportedly under pressure from processors to let more dairy products come in, from abroad because they cannot meet demands with the current domestic production for additional imports.

Doerring claimed that he cannot supply non-fat dry milk to his customers. Pat Healy, another conference speaker, commented that he would like to have USDA's customers sent to him. "I can supply their needs by the carload, but at a price," he said. Healy repeatedly referred to the need of discussing supply along with price and not by itself or, as he put it, "in a vacuum".

Nearly all dairy import quotas are controlled by Section 22 of the Agriculture Adjustment Act as ammended. Normally, the U. S. has a milk surplus of about 5 billion pounds per year. Doerring said this is a manageable surplus, and small compared to total annual U. S. milk production of 120 billion pounds.

To those who may wonder why milk pricing in the upper midwest would be of concern to dairymen in Pennsylvania, Graf explained that the Minnesota Wisconsin Series is important because it reflects the price of half the manufactured milk in the country and it, in turn, sets the class one prices in the rest of the country. Directly and indirectly MW Series has a big effect on prices paid to dairymen in almost any part of the country. Graf pointed out that in 1972 MW priced 4.2 billion dollars worth of milk.

Graf expressed no optimism in the future of the MW Series. In fact, he feels it will end within 5 years. He reasons that most milk will be classed Grade A in the coming years. Class 1 and Class 2 may be combined and this would result in the need for new pricing formulas.

Class 1 utilization varies around the country from a high of 95 percent in Northern Florida to a low of 24 percent in Northern Dakota. The national average for Class 1 utilization is 60 percent. There are approximately 14 billion dollars of Grade B milk in the upper midwest says Graf. The impact this milk would have on the rest of the country if it were suddenly converted to Grade A could be disastrous to many farmers. The Chicago market, for example, which is currently using 41 percent of its milk for Class 1 would suddenly drop to 11 percent Class 1 utilization. This would be a price cut to the farmer of 37 cents per hundred weight.

Graf acknowledges that an even distribution of Grade B milk would be desirable, but it would hardly be satisfactory to the many different marketing organizations in this country. He feels there are 5 possibilities for making this very real problem easier to overcome.

The first solution is for farmers from the rest of the country to form a "standby pool". Such a program whereby dairymen pool money into the MW market in order to persuade them to keep their milk in their own area. This, he concedes, would definitely not work out as a long range program. A second suggestion is for the U.S. to have regional milk marketing orders. While steps are being taken in this direction, Graf states, that we still have 56 orders in the country and it should be down to about 5 or 6.

Another alternative would be to have just one order. A fourth solution would be to have a flat Class 1 pricing system all across the country. And the fifth method would be to narrow the Class 1 differential or in other words, raise Class 2 prices. What is most important, according to Graf, is for all of us to be willing to share the pie. Fighting among the cooperatives will result in considerable market pressures.

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