

Dairy referendum

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USDA's recommendation was brought about as a result of a public hearing in New York City and Syracuse a year and a half ago. The hearings were requested by Dairylea Cooperative, Inc. and NEDCO, a federation of dairy cooperatives. The two groups, whose members supply milk to handlers in the New York-New Jersey market, said they are losing some of their market outlets for fluid milk because of the wide disparity in milk costs to New York-New Jersey handlers and to handlers in neighboring markets, particularly in the Philadelphia area. Recent increases in hauling costs have intensified the problem, the producers said.

The outcome of the vote will affect dairymen in southeastern Pennsylvania and neighboring areas, regardless of whether they ship into the Order 2 poll or elsewhere. Those dairymen who are currently under Order 2 will be faced with hauling charges which were previously carried by handlers. The lower prices suggested in the referendum will ripple through Orders 1 and 4 as well, and upset the entire pricing structure, Hand argues.

Inter-State and its sister cooperatives in the Pennmarva Federation, as well as cooperatives in New England have therefore gone on record as being opposed to the proposed changes. Hand, in fact, would rather see Order 2 go down the drain, saying in his editorial: "Perhaps the best solution would be for Order 2 dairy farmers to vote out Order 2. His solution to the alleged problem of disparities would be that 'Many producers and dealers in northern New Jersey would be regulated by Order 4, a few would be regulated by Order 1, and the remainder in New York State would have the benefit of the New York State Milk Control.'" He sees such an outcome as signifying a new birth of farmer unity and a re-kindling of cooperation between dairymen and dairies within Order 2.

"New thinking needs to be applied to Order 2 - or all dairy farmers in the Northeast will be faced with lower prices and incomes. Any attempt to expand the provisions of Order 2 to other Northeast markets should be strongly resisted. A positive force for change is vital," the economist declares.

Despite the opposition and warnings from Middle Atlantic and New England dairy cooperatives, the proposed measure is expected to go through, according to a spokesman at one of the cooperatives. Voting on the referendum ends Sept. 11.

The referendum which is now underway will determine whether or not dairymen in the affected areas approve of the proposed hauling allowances for handlers.

Herbert L. Forest, dairy official in USDA's Agricultural Marketing Service (AMS), says the changes in the order's transportation allowances would bring them more in line with present costs of assembling milk from farms and transporting it to plants for processing. The changes would also make the minimum price of raw milk to handlers regulated under the order more competitive with minimum prices in other federal order markets, particularly the adjacent Middle Atlantic market. This is needed, he added, because handlers in these two markets are actively competing in overlapping distribution areas for Class 1 sales.

Uniquely, under the New York-New Jersey Order, bulk milk is priced at the farm, and handlers who pick up the milk at the farm bear most of the cost of transporting it to their plants, according to Forest. Any cost increases are borne by handlers, who must either absorb the increases or pass them on to consumers. In other markets, Forest said, milk is priced at the plant where it is received, and producers rather than handlers pay most of the milk transportation cost, including cost increases.

Under the proposed changes, Forest said, the order's transportation allowances to handlers would be increased to reflect the higher hauling costs that they are experiencing. This would mean that milk producers serving the market would have more of the cost of moving their milk to market reflected in the minimum prices that handlers must pay producers.

Forest said the recommended changes in the New York-New Jersey order should help minimize these cost differences between adjacent markets.

Also, within the New York-New Jersey marketing area, the proposed changes would help equalize the minimum price of milk to all handlers in that area, regardless of their location or whether they get their milk direct or

through supply plants, Forest added.

Dairy farmers who supplied milk to the New York-New Jersey marketing area in March 1977 will be eligible to vote. Two-thirds of those voting must approve the amended order before it can become effective.

Failure to approve the amended milk marketing order will result in termination of the Order, according to Dr. N.K. Garber, assistant market administrator for Order 2. He urges all eligible producers who are not members of a cooperative association voting collectively and who do not receive referendum material to write to the Referendum Agent at 208 East 43rd Street, New York, N.Y. 10017.

For more specific details on the recommendations encompassed by this vote,

please see page 91 of the Aug. 27 issue of Lancaster Farming.

Hand sees lower blend prices in Order 2 as an immediate result if the referendum passes. Block voting in Order 2 will likely pass the measure. He also foresees a movement of Class 1 sales from Orders 1 and 4 to Order 2, resulting in a lower level of blend prices throughout the Northeast region.

"The members of Pennmarva believe this to be a serious threat to dairy farmers' incomes and to market stability, both contrary to the purposes of Federal Orders," Hand wrote in his editorial.

"Both New York - New Jersey cooperatives and the

Dairy Division at USDA should face the facts that neither farm point pricing nor cooperative payments are in the best interest of dairy farmers or cooperatives. The legacy of Order 2 is reduced cooperative membership and lower farm prices," the economist stated.

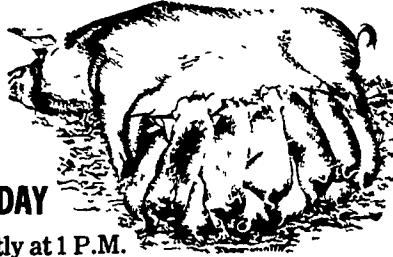
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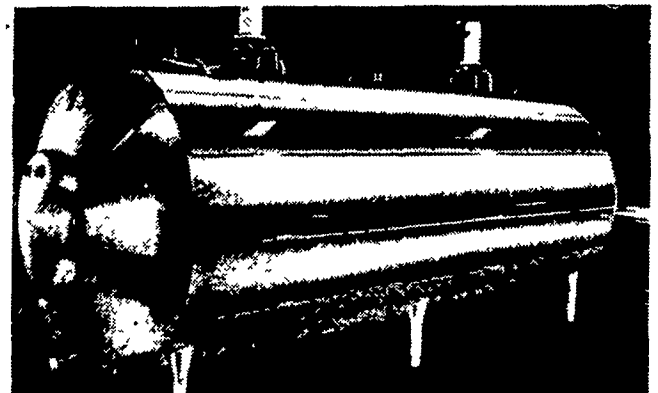


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