

The Milkweed



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The farmer's milk marketing report

USDA Mulls Options

by Pete Hardin

Agriculture Secretary Robert Bergland called a hurry-up session with the nation's dairy leaders on June 24 to review policy options in view of the dairy surplus problem.

"A fiasco," summed up Patrick Healy of National Milk Producers Federation.

"The meeting was a disaster," claimed Doug Caruso of the Farmer's Union Milk Marketing Co-op.

"Shoddy tactics . . . getting consumers set against farmers," another source (who wished to remain anonymous) offered.

It doesn't matter who's offering an opinion, the only real consensus in the dairy industry is that the USDA is badly foundering as it struggles to fashion new dairy policy as surplus mounts, editorials in newspapers call for lowering milk prices . . . and most of the nation's agriculture is in a severely depressed economic condition right now. The uncertainty within the USDA may also reflect divided opinions within the dairy industry.

At the meeting (called the week before), Bergland made a few opening remarks and then hustled off . . . leaving most of the chores to the department's Howard Hjort Hjort reviewed three possible dairy options . . . the basic thrust being to tie dairy support levels to Commodity Credit Corporation (CCC) dairy surplus removals

Consumer groups attend

Besides the dairy industry leaders, major consumer group representatives attended the meeting . . . the Community Nutrition Institute (CNI), the Consumers Union, and Common Cause among them. Tom Smith, who's research director for CNI, came away angry because he thought the department was trying to work a trade among the producer and consumer interests . . . involving parity levels, casein imports, and resolution of the reconstituted milk issue. Smith said he didn't think it appropriate that the USDA look at these problem areas as tradeable commodities.

The big policy split within industry groups divides National Milk Producers and the American Farm Bureau Federation with the Farmers' Union. NMPF and AFBF want to tie dairy support levels to CCC purchases . . . and to modify the scheduled October 1 parity adjustment. Such action, if that were to occur, would require Congressional action. Little time remains for Congress to act. Legislators adjourn early this fall to head for the campaign trail.

Meanwhile, Caruso from the Farmers' Union Milk Marketing Co-op contended that, "Price is too high only because all the other agricultural sectors are too low. They can bring dairy down to the level of the other

commodities or they can bring the others up."

Hollis Hatfield, the AFBF's milk marketing specialist, noted that in May the CCC removed more surplus dairy products than any other May in history "We've got to make adjustments or we'll lose the whole damn program," Hatfield said. He noted that with the exception of Farmers' Union, there was relative consensus amongst the industry.

Milk disaster?

Healy, from National Milk Producers, urged modification of the coming October 1 price increase. "We are willing to propose it," Healy said. He seemed unrelenting and bemoaned the lack of action and leadership from Bergland. "We see nothing coming . . . we don't want milk to become a disaster area like the other commodities," he stated.

"I'm not gonna sit here much longer," Healy promised. He will apparently come out smoking on Bergland's case if the Secretary doesn't act soon "They're shaking the wrong end of the stick . . . the severe problems are in red meats and grains. The USDA should spend more time on corn, hogs and beef," Healy commented.

The plans reviewed by Hjort basically call for tying milk support levels to how much milk the CCC must buy. The

parity ranges run between 75% and 80%. Whatever the Department might come up with, it would require Congressional action during an election year with only a short period of time left for the legislators to vote.

Without unity within the dairy industry, it is unlikely that Congress would tackle this issue in a short time during an election year.

Complex

The whole dairy issue is complex and defies simple answers or solutions. Producers are geared up to make more milk. Feed grain prices are low due in part to the embargo of grain sales to the Soviet Union. Dairy cattle numbers have been increasing in previous months over year-ago figures . . . and the semi-annual price increases through the CCC seem to send a green light to producers to make more and more milk.

Dairy's dilemma is interrelated to beef and hog prices and grain prices. Many major sectors in the agricultural economy are severely distressed. With low prices for red meats, dairy products do not offer as attractive a bargain price-wise in the supermarkets. Demand for dairy products has become soft as production shifted into overdrive.

As the tab for buying and storing the nation's surplus dairy products gets very near the one billion dollar mark . . . the dairy industry can only expect continued heat from the news media and public. Producing for no market is a marketing strategy reminiscent of Chrysler. Right now the government is buying about seven percent of all milk production as surplus products. Without a different signal from the milk check, dairy farmers will likely continue producing milk and the CCC will come to own more butter, cheese and non-fat milk powder.

"I want to think that some more reasonable people realize there's a need to increase flexibility in the program," Smith from CNI said.

"Consumer groups were very offended . . . they felt used. They perceived that the strategy was to get them to give up on reconstituted milk to get lower price supports. The whole scenario was faulty," Caruso claimed.

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White House & Leprino

by Pete Hardin

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On the afternoon of June 4, 1980, Mr. Charles Obermeyer, vice president of Leprino Foods, Inc., of Denver Colorado, addressed the annual meeting of Eastern Milk Producers Co-operative in Syracuse, NY and informed those in attendance that President Carter's White House staff had intervened on behalf of Eastern and Leprino in seeking a loan guarantee from the Farmer's Home Administration.

If what Mr Obermeyer said is true . . . that is very interesting.

Eastern Milk Producers is a financially troubled dairy farmers' organization that has turned to a 20-year contract with Leprino to stabilize marketings. Eastern needs \$20 million to fund construction of two cheese plants.

The Leprino firm, founded in the early 1950's by James G Leprino, Sr., has grown to become the world's largest manufacturer of mozzarella (pizza) cheese. The Leprino firm is a private corporation, reportedly held by the members of the Leprino family.

And the President's White House staff is . . . presumably running the country.

If as Obermeyer, the Leprino vice president stated . . . President Carter's White House staff intervened with the FmHA to get a loan guarantee involving Leprino—the world's largest manufacturer of mozzarella cheese, privately owned by the Leprino family—then hold the anchovies we may have "Pizzagate "

Eleven days after Mr. Obermeyer's comments, reporter Bruce Ingersoll of the Chicago Sun-Times broke the first story in a whopper of an investigative series detailing how the FmHA's Business and Industry Division has become "the patsy on the Potomac." Reporter Ingersoll's investigation showed how the FmHA had lost hundreds of millions of taxpayer dollars by making and guaranteeing "highly questionable loans."

Many of the loans, Ingersoll revealed, were to appease political figures, and to bail out banks which had political connections with the administration (like Bert Lance's First National Bank of Calhoun).

Bail out? Darned if the First Pennsylvania Corporation (First PA) . . . the bank which in late April received a \$500 million bail out from the Federal Deposit Insurance Corporation and a couple dozen banks . . . isn't the lead lender for the mozzarella cheese plant deal involving Eastern and Leprino. And First PA extends Eastern the co-op its line of credit.

If Mr Obermeyer's comments are true . . . then the already highly questionable mozzarella connection between Eastern Milk Producers and Leprino has taken a giant step towards deeper, murkier waters.

Through the Freedom of Information Act, The Milkweed has initiated a search for available documents to substantiate Mr Obermeyer's claims of White House involvement in the Leprino deal. The White House, the

FmHA in Washington, and the FmHA state offices in Syracuse (NY) and Harrisburg (PA) have been served with registered letters requesting documents pertaining to the proposed loan guarantee to Eastern Milk Producers by the Business and Industry Division of the FmHA.

The federal agencies have 20 working days in which to respond to the FOIA requests. Next month in The Milkweed, this publication will hopefully begin revealing what documents available through the FOIA tell about activities of the White House staff and the loan for \$20 million to Eastern Milk Producers to build cheese plants for the Leprino contract.

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