

*What it says — and doesn't say*

# Taking apart the CNI proposal

BY CURT HARLER

LITITZ — The so-called CNI Proposal, like many other complex issues in the dairy industry, is hotly discussed but often understood only on the surface.

The U.S. Department of Agriculture is asking farmers and other interested parties to comment on the proposal. Letters to the Deputy Administrator, Marketing Program Operations, USDA, Washington DC 20250 are welcomed until January 2, 1981.

But just what is this "CNI Proposal?" Does it really seek to kill federal milk orders? Will it cost dairymen, and if so, how much?

Order 4 Market Administrator Joseph D. Shine sums up the issue this way:

"The proposal, which was submitted to the Department of Agriculture by the Community Nutrition Institute, a fluid milk processor, and three individual consumers, would remove commercially reconstituted milk from the Class I pricing provisions of the orders."

Shine's last dozen words tell the story in brief. But the impact of CNI goes much further.

Specifically, petitioners have proposed that all orders be amended to remove reconstituted milk products from the definition of "other source milk" for the purpose

of eliminating the "down allocation" of milk ingredients used in such products.

It also would eliminate requirements that processors of reconstituted milk products make a "compensatory payment" on such products assigned to Class I.

Most farmers know Class I milk usually brings the highest payment, followed by Class II and in some orders, Class III. Payment is based on milk use.

Reconstituted milk made from powder is paid for at the lower-valued uses of the handler. This is "down allocation."

If the handler does not have sufficient Class II or Class III utilization in his plant to cover the quantity of reconstituted milk, the remainder is assigned to Class I. But, the handler is required to make a "compensatory payment" with respect to the quantity assigned to Class I. That payment is equal to the difference between the Order's Class I and Class II prices and goes to the producers in the Federal Order.

The CNI proposes to eliminate reconstituted milk products from the down allocation and compensatory payment provisions of federal milk marketing orders that make their use uneconomical.

The effect of the proposal

would be that of reclassifying reconstituted milk in the lowest-valued class.

Reconstituted milk then could be acquired at a cost equal to the manufacturing price plus the cost of processing milk into nonfat dry milk and butter and reconstitution.

CNI does not propose to change Class I prices for fresh fluid milk. However, reclassifying reconstituted milk would give a price advantage to reconstituted milk in most areas of the country.

This is because fresh fluid milk prices would be based on Class I prices, while reconstituted milk would be based on cost of reconstituted ingredients.

Because of its price advantage, USDA economists see reconstituted milk being more favorably priced everywhere in the country except for the Southeast.

Reconstituted milk could account for up to 38 percent of fluid milk consumption.

In the Northeast, the price for milk would drop somewhere between six percent and 6.5 percent, the economists say. That's well above the U.S. average of about four percent.

What's the logic from CNI behind all of this?

CNI has several arguments against the current system.

It says current regulations on reconstituted milk

eliminate a nutritious, but lower cost, alternative to fluid milk. That, CNI says, increases food prices, especially for the poor, by adding millions of dollars to the nation's food bill.

CNI says the regulations are "Unnecessary to protect milk producers."

The group says the regulations as now written are contrary to the Ag Marketing Agreement Act

policy to protect against unreasonable fluctuations in supplies and prices.

CNI doesn't like having a barrier to marketing of nonfat dry milk. It says the

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