

The Milk Check

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Stay Alert
If we take time now while Congress is in recess for Labor Day speeches to examine what the House-Senate Conference Committee came up with last month for the new dairy price support program, we'll have a better idea of what will be considered when they reconvene after the holiday.

The new marketing year starts October 1 so, decisions will be made quickly within the next few weeks to stop the 15 cent increase in the present \$13.10 support price that was scheduled in the farm bill passed by Congress in December of last year. That bill was to take care of price supports for the next four years but is being changed before the first year is finished. Just an inkling of how fast things are changing and why you have to stay alert to be current on how

your future income will be affected.

Tally Sheet
As of now, this is how we stand on the House-Senate Conference Committee proposals for the new dairy price support program.

For the years beginning October 1, 1982 and 1983, the price support will be \$13.10 eliminating the increase of 15, 75 and 60 cents provided in the 1981 legislation. That's wiping out \$1.50 in increases from 1983 to 1985. For October 1, 1984, the new proposal calls for a price that represents the same "percent or parity" that \$13.10 will be on October 1, 1983. That puts it down to about 60 per cent according to present estimates.

In addition to all this, the Secretary of Agriculture has been given discretion to reduce the price of all milk sold by 50 cents on

October 1, 1982 to offset some of the costs to Commodity Credit Corporation and another 50 cents reduction on April 1, 1983 if CCC purchases are projected to be more than five billion pounds of milk equivalent.

With last year's CCC purchases of 13 billion pounds of milk equivalent and milk production still on the increase nationally, you can bet that CCC purchase will exceed five billion pounds. Putting it all together, if things go according to the present proposals you can expect a support price of \$12.60 on October 1 with a reduction of \$12.10 on April 1 of next year.

Refund Available

There is, however, a provision in the proposal to reduce or refund the second 50 cent assessment for those farmers who voluntarily cut production below a base period of one year starting October 1, 1981 or two years starting October 1, 1980. The option, according to the proposal, is up to the Secretary to decide whether to use one year or two years.

Presumably the refund would be in the proportion to the reduction in milk produced but could not exceed the same percentage that the national average of surplus milk is to the total production. For instance, if the surplus production is projected to be ten percent of the national supply a farmer would get no more than a 50 cent refund after reducing his production by ten

percent from the base period. All of this could be changed, somewhat, if the proposed prices are actually used, but USDA should do something about the fact that the present "support price" of \$13.10 is already 56 cents below the national average price of manufacturing grade milk.

This has happened because USDA has done nothing in the last three years to adjust the rising cost of converting milk into butter, powder and cheese so, buyers must pay less than the support price for milk so they can sell the butter, powder and cheese to CCC for \$1.49 on butter; 94 cents for powder and \$1.395 for cheese which are the support prices for the manufactured dairy products. It's only window dressing to talk about support prices for milk if the support prices for the products aren't adjusted accordingly.

Classic Compromise

Before you can appreciate the work of the Conference Committee, you should realize that what they started with was a Senate bill that would have simply maintained the \$13.10 support price for the next three years and a House bill that followed the program suggested by National Milk Producers Federation. The NMPF program included a two price system and a national referendum on a five cent producer contribution to support milk and dairy product promotion.

Out of this, and in a matter of days, the Conference Committee came up with a masterful compromise that contained at least bits and pieces of nearly every proposal that had been made in the House and Senate during the preceding four months. Politically it has something for everyone but economically does nothing to provide a lasting solution to surplus milk production.

For an example, let's look at

some of the bits and pieces that were lifted from earlier suggestions and included in the Conference Committee report. The Administration wanted "complete discretion" in setting the support price. That was too much for Congress but what they got was the "discretion" to add a couple of 50 cent assessments on producers to reduce the cost.

American Farm Bureau wanted a trigger mechanism and they got one of sorts in the guidelines that USDA must follow in making their assessments. NMPF wanted to hang on to the parity formula in determining the support price and that will be included but not until 1984. Several national farm organizations were supporting bills that revolved around production bases and quota plans. That too is included, slightly, with the refunds on the second 50 cent assessment.

You can go on and on fitting the pieces together but what you finally get will be decided by what each house in Congress does with this proposal and that will probably happen before the end of September. A reduction in the support price rather than an increase seems almost a certainty for October 1st. A 50 cent drop in the support price will translate into a 25 cent drop in the farm price.

Compared to other farm prices you'll be lucky if that's as far as it goes. The worry is that the cut will be deeper to accommodate the latest budget restrictions. The second 50 cent cut will add administrative costs to the program is the refund provisions are included. It's questionable that it will stay as it is.

All of this, of course, is mere speculation until Congress decides on a program but most people agree that there's little hope for a lasting cure and if the cuts don't go any deeper, we'll be lucky.

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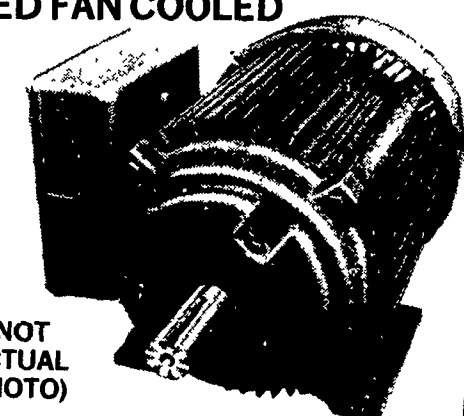
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