

# The Milk Check

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County Agent



**Status Report**

Even though Congress reconvened on July 11 after their holiday recess there is little or no change in dairy legislation as of this writing. The compromise bill has been approved by the agriculture committees in both the Senate and the House but has not yet been reported out to the floor by either committee. It is most likely to get action first in the Senate where they must also consider a two year freeze on target prices for feed grains. This could happen any day and, with perhaps a few amendments, get passed and sent over to the House where the real fight will occur. Right now there are at least

three possibilities when it gets to the House. Go with the compromise bill (with or without amendments), or, change to the Conable bill with a drop in the support price and no diversion payments and advertising set aside or, extend the present law with the second 50 cent refundable assessment. With the lack of support from farm organizations for the compromise bill the other two alternatives begin to look better to Congressmen. The straight cut in price supports because it's more direct and the present law because it hasn't had a

chance with all the lawsuits brought against it.

(On the matter of law suits, oral arguments were heard this week by the federal judge in Richmond but it's uncertain when a decision will be handed down. Certainly not before it's time to make deductions for June milk. However, the second refundable 50 cent assessment scheduled to start August 1 will probably be delayed. If the USDA waits the usual time between publishing in the Federal Register and a comment period on the final rules it will probably not become effective before it's time to write checks for September milk. So, there won't be any changes in the support program at least for July and August milk as it looks now.

**What Then**

If the present law is not replaced the support price would stay at \$13.10 for another year starting in October. The present 50 cent assessment on all milk would continue and the second 50 cent assessment would be refunded to farmers who reduced their production below last year or the average of the last two years. The per cent reduction to qualify for

the 50 cent refund would be determined by the Secretary. Of the three alternatives that I mentioned earlier this one would be the least costly to producers but may also be the least effective in reducing total milk production this year. However, it does provide for further cuts in the support price on October 1, 1984. One of the reasons given for staying with this legislation is that Congress will have to consider the entire farm price support program next year anyway so let's ride it out with what we have. Besides, if the industry can't agree on the other two alternatives - why change.

Another alternative is a straight cut in the support price that will take the \$13.10 down to \$11.60 in stages until a turn around in production is achieved. All the assessments, refunds and promotion are omitted in this plan. Depending on how fast the cuts are made this one could be the hardest to live with for most producers but perhaps the most effective in cutting government costs.

The third alternative is the compromise bill described here during the last two months and still the most likely to pass with some amendments. However, a lack of support for this program from the industry is hurting its chances and the longer action is delayed the more likely it is that Congress will choose one of the other two.

**What If**

Supposing the compromise bill did pass in its present form - what would it mean to you? To make it easy, let's just look at the 15 months starting in October and ending in December 1984. This is the period where the support price has been set, the voluntary diversion program would be available and the advertising money would be deducted. First of all the present 50 cent assessment would continue on all milk to finance the diversion program. Also the support price would be dropped 50 cents to \$12.60 and 15 cents a hundred would be collected

for advertising. Add them all together and you have \$1.15 to be deducted from the present \$13.10 or your down to \$11.95 starting in October. That's about a nine per cent cut in your gross income from last year if you maintain the same production. You would have a choice of cutting production below last year (or the average of the last two years) from five to 30 per cent and getting \$10 a hundred as a diversion payment for the milk you did not produce below your base. If you have already reduced production from your base the \$10 diversion payment could be a windfall. However, if you have already increased production five per cent over your base you may have to reduce production by as much as 20 per cent below your base to maintain your 1982 gross income in the diversion program.

So, doing nothing can cost you nine per cent of your gross but the decision to increase production to make up the difference or to participate in the diversion payments will be an individual one for each producer depending on his own costs, present production levels and his base. But remember, the diversion program ends in December 1984 and you'll be back to \$11.95 milk if CCC purchases are expected to be above six billion pounds of milk equivalent.

**Order 2 Pool**

A June production drop of three per cent below May was not enough to offset a six per cent drop in fluid milk sales (due to school closings) so the uniform price in Order 2 fell three cents under May to \$12.61. Class prices were nearly the same as last month and will stay there for the rest of the summer. The M-W price has changed only three cents since march and in June it was \$12.50. The 40 cent contribution to the Louisville Plan in June was the last for this year so you can expect the blend price to go up in July but not the full 40 cents. Considering the 50 cent assessment this makes the farm price \$12.11 or the lowest for July since 1980 when it was \$11.92.

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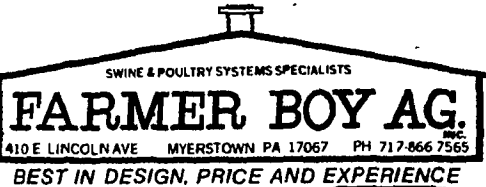


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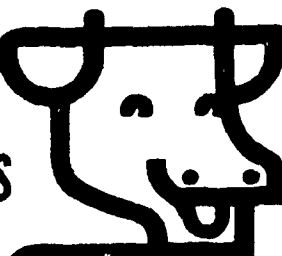
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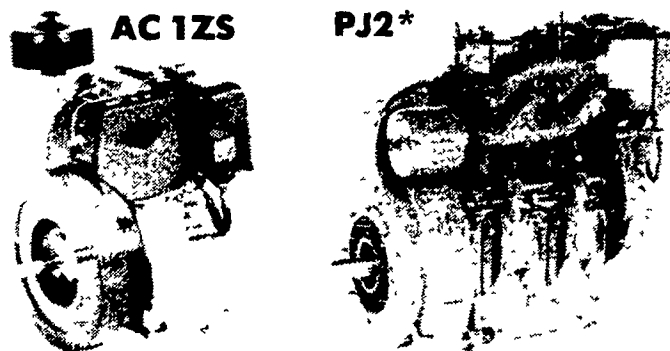
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