End of price supports could disrupt dairy economy

ITHACA, NY – President Reagan's plan to eliminate the dairy price-support program would cause severe disruption to the nation's dairy industry, says a Cornell University agricultural economist.

"It would set in motion a barrage of new free-market forces in an industry which has been largely protected from such things," says Andrew Novakovic, an assistant professor of agricultural economics in the New York State College of Agriculture and Life Sciences at Cornell.

The Reagan administration proposes ending the government's current practice of buying surplus dairy products by October 1987 and replacing the traditional support program with a direct payments program. Reagan's plan has been received cooly by both congressional agricultural policy leaders and dairy farmers.

Currently, surplus milk can be processed into cheese, butter, and nonfat dry milk – products which the government stands ready to buy at preset prices if they are not sold otherwise. In turn, these government purchase prices support farmers' milk prices. In 1987, under Reagan's plan, the government would cease being a buyer.

"Long before October 1987 arrives, cheese and butter manufacturers would begin scrambling, trying to line up new buyers for their products, because the federal government would no longer be a buyer," Novakovic says. "Some would find new markets, but at lower prices since other processors would try to do the same thing. It would become a buyer's market."

"If dairy product manufacturers earn less for their products, naturally the milk price would fall, too," Novakovic notes.

This decline in farm milk prices, however, would be somewhat offset or limited by a new government program of direct payments based on a target price. Under this new program, dairy farmers would receive a direct subsidy if farm prices fell below the target price.

The Reagan plan calls for target prices substantially lower than current support levels. So, farm prices might have to fall from the current $13 per hundredweight to $10 or less before [illegible] would be made. In addition, total payments to each farmer would be limited to $20,000 per year in the first year and would decline to $10,000 per year on October 1, 1989. This target-price program would begin on October 1, 1987.

"Critics of this proposal have charged that the proposed target prices and payment limits would be so low as to be meaningless and ineffective," Novakovic says. "The administration defends the aproach by arguing that a farm economy without heavy intervention will be a healthier industry in the long run."

Established by the U.S. Department of Agriculture, the milk support price places a floor price under the farm price for 100 pounds of milk (approximately 11.6 gallons). Recently farm prices have been supported at levels that have resulted in more milk being produced than can be consumed commercially. The government has purchased the excess in the form of manufactured dairy products, thus holding farm prices up.

The milk diversion program, which had no effect on the support price itself, was instituted in January 1984. It pays farmers $10 per hundredweight for decreasing the amount of milk they market relative to what they had marketed in an earlier base period. In addition, the government collects a 50 cents assessment per hundredweight of all milk sold; assessments of one form or another began in April 1983.

In April 1985, the milk diversion program will end; farmers will no longer be paid for reducing milk sales. The 50 cent assessment is also ending at that time, and with it a reduction by USDA of the milk support price from $12.60 to $12.10 per hundredweight is expected.

For dairy farmers, the dropping of the assessment on their milk will balance the decrease in the support price. But come this summer, another 50 cent decrease in the support price is almost a certainty, according to Novakovic.

Further price cuts are likely, even if the Reagan plan is not adopted, Novakovic predicts. At this point, Congress will more likely be receptive to revising the traditional price support and product purchase program. Nonetheless, getting production back in line with consumption may necessitate further price cuts.

"Any new method of setting dairy price supports should be flexible, perhaps equipped with upper and lower limits, and it should reflect changes in supply and demand conditions," Novakovic emphasizes.

Broiler chicks need more vitamin D3, study says

COLLEGE PARK, MD – How much vitamin D_3 should broiler producers feed their young chicks?

According to a new study from the University of Maryland's department of poultry science, they should get twice the amount recommended by the National Research Council.

"Our data show that feeding the current NRC recommendation of 200 IU of vitamin D_3 per kilogram of diet results in lower overall performance of newly-hatched to eight-week-old broiler chicks," says Jimmy T. Lofton, the principal researcher in the study.

Lofton and his graduate advisor, Dr. Joseph H. Soares, Jr., recommend instead a dose of 400 IU per kilogram of diet to produce optimal results in young broiler chicks.

Some commercial producers feed their young chicks five to 10 times the NRC requirements, anticipating greater than optimal results.

While the practice does not seem to cause adverse effects, Lofton and Soares' data show that such "overdosing" of vitamin D_3 produces no beneficial effects in young broilers.

Broilers fed less than 200 IU of vitamin D_3 per kilogram of diet may suffer from lower body weight, take in less food, and lose strength in the bones in their legs, according to the study.