

Investor concerns dairy producers

A privately owned Dublin, Ireland firm, Masstock International, that plans to build five, 1,000-cow dairies in Georgia over the next several years each with the capacity to expand to 2,000 head has created much concern among Upper Midwest dairy producers and has, once again, caused agricultural producers to question national policy intent.

While experts say the time for Southern expansion is now because of more dairy product demand than is locally produced, Upper Midwest producers are facing a decline in price supports and are worried about whether markets are going to be there tomorrow.

It has traditionally been one of agriculture's problems, *Here's Info* anchorman Phil Allen pointed out in a recent NFO radio program. "We (the government) keep giving tax shelters to big corporations who build such things as multi-cow dairy operations and pig parlors. We don't seem to grasp the connection between this kind of tax sheltering and overproduction."

The 1985 Farm Act, Allen continued, has a provision for encouraging dairy farms to get rid of whole herds - in other words to get out of dairying - but the tax shelters remain in the law to encourage big non-farm investors to move in with brand new big production dairy farm set-ups.

Studies done by the Center for

Rural Affairs research an advocacy group at Walthill, Neb., have gone into the workings of these tax shelters. Chuck Hasebrook, one of their researchers, says every cow is a potential tax shelter with a 500-cow dairy producing as much as an \$84,000 tax advantage.

"Any tax sheltered non-farm investor runs counter to the public policy we say we believe in," Allen continued. "In fact, you could make this statement about not just dairy, but about any ag commodity. Real efforts are being made by the most thoughtful people in agriculture to manage supply - to fit it to existing markets. So, it's just simply bad public policy to continue tax shelters for investors who start up new ag operations and need not care so much whether they are profitable."

Dave Schweers, a NFO dairy spokesman, agreed with Allen's commentary. "We have a national program to decrease milk production in the United States. We have other laws such as investment credit and depreciation, but there are states that are willing to give property tax abatements and counties that are willing to do the same thing in order to encourage more milk production. The county in Georgia is looking at the plant operating as well as the employees to man the dairies and

plants," he said. "From a standpoint of national policy, we are taking these jobs away from somebody else and, at the present time, those jobs belong to independent farm families in the Upper Midwest."

Schweers added that unless the United States is going to ban foreign investment in agriculture production facilities in all the states, then in essence, the U.S. is saying, "Come on in." Georgia, he pointed out, is not among the states that have banned foreign agricultural investors.

Beyond public policy, however, is the human factor involved and the impact the construction of such a facility will have on Midwestern milk prices. It is estimated that Southeast (Georgia and Florida) consumers buy over twice as many milk products as produced by area farmers. Much of this milk comes from Upper Midwest and Midwestern dairy producers. Approximately 100 loads per week averaging 45,000 pounds comes from the neighboring state milk cooperatives based in Kentucky and Tennessee.

Once construction of the 10,000-cow dairies and \$5 million milk processing plant is completed, many independent milk producers are concerned about milk markets and prices.

NFO Dairy Department Director Al Scott said this concern may be

well placed since the new operation will be interrupting the normal flow of milk from Minnesota and Wisconsin into the southern markets. "Anytime you have a large corporation that comes in and has, basically, a takeover of an area, the effects are widespread. Ordinarily, Wisconsin and Minnesota have been a prime supply of milk for all southern regions. Here you have an operation that is being set up with its own cows, its own herd that intends to develop its own supply - this is going to keep that supply of milk in Minnesota and Wisconsin where the only thing they can do with it is put it into butter, powder or cheese. This interruption in the normal flow, I think, will have a detrimental effect on the complete Midwest," he said.

Scott added, however, that many foreign companies had constructed large cheese plants in the United

States which were unsuccessful. These plants, he said, were largely unsuccessful because their technology was not such that they could produce products satisfactorily for this country. "Masstock is going to end up developing this technology and whether it will be good or bad, no one knows," the director commented. "But it will have a tendency to put the mom and pop cheese plants in Wisconsin out of business. They can't compete with the large corporation-type facilities that these people are bringing in."

Masstock International, a company with dairy farms in Ireland, Saudi Arabia, England and China, plans to begin construction of its first dairy in April or May. The dairy will utilize intensive drylot units with milking parlors and no grazing. The company will market milk through a cooperative until its processing plant is constructed.

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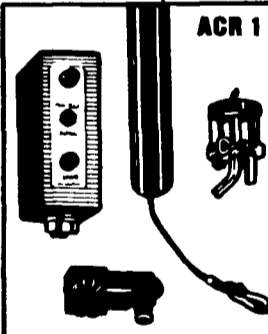




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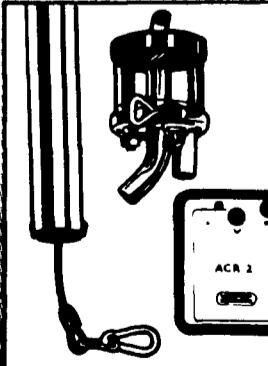


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