Experts Wrestle with Supply-Demand at Dairy Forum

Milk: More Than a Four-Letter Word

BY KATHY E. GILL
Special to Lancaster Farming

FT. LAUERDALE, Fla. – Woven like a thread through a tapestry, discussion of supply management as a viable solution to today's dairy supply-demand imbalance surfaced throughout all economic sessions at the second annual U.S. Dairy Forum here earlier this month.

Although proponents were loath to call their concepts "quotas," and quickly defended against any such suggestions, in fact they were proposing some sort of national management plan to bring domestic supply in line with domestic demand.

Interwoven in these discussions was widespread criticism of market service payments and arbitrary increases in Class I differentials, both part of the 1985 Food Security Act.

Want less government intervention? Someone at the Forum felt as you do. Want more government? That side had its cheerleaders too.

However, this second annual gathering of producers, processors and regulators did provide a forum for discussing divergent points of view and for starting to build consensus.

Steve Conerly of Pet Dairy in Tennessee said, "a change in attitude is most important. We can no longer blame someone else for what is wrong, and government programs are not the sole solution. We need a larger pie for all of us."

He was not alone in his assessment. Jim McDowell of Dairymen, Inc. in Kentucky pointed out that as an industry, "we have to stop trying to make all the money on the buying (producer) end of the business." It's time to build margins with value-added products that consumers are willing to pay for.

Regarding advertising and promotion, one way to reach McDowell's goal, Gary Hannman of Mid-American Dairymen in Missouri told the audience of 300 that more brand advertising is needed. "We only have two national dairy brands, Kraft in cheese and Land O' Lakes in butter," he said.

Moreover, he said the time has come to re-think milk and its components. "Milk is not just milk. We have to take it apart and use its ingredients."

Which brings us to component pricing. Hannman noted that milk off the farm averages 8.6 percent solids not fat, whereas the industry standard is 8.2 percent.

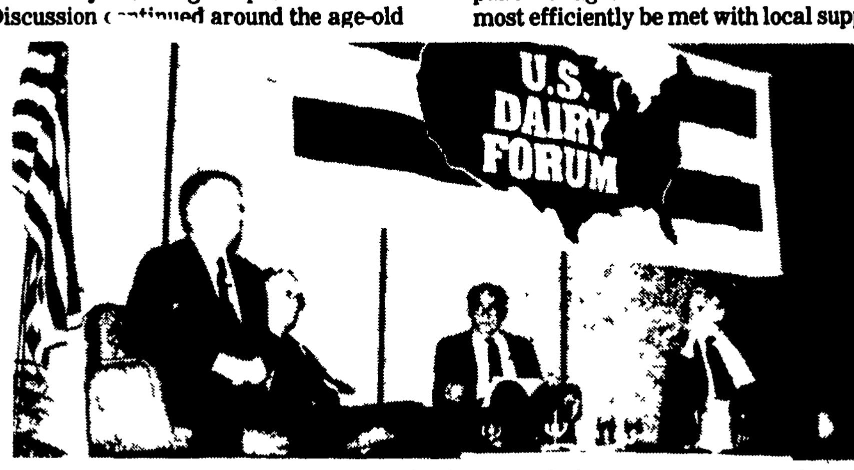
However, Dr. David Barbano of Cornell explained that in a study of 50 manufacturing plants in 19 states, the overall national average for raw milk was 8.7 percent. The high in the west was at 8.8 percent; the Mid-Atlantic came in at 8.65 percent.

He demonstrated the varying solids not fat levels, along with two of its components–casein and lactose. His remarks served as a springboard for discussion of national standards and the difficulty of pricing on components because there are no uniform testing procedures.

"Moreover, there are no uniform laboratory certification requirements for end product testing of fat and solids," commented John Adams of the National Milk Producers Federation. He cited a study led by Al Zimmerman of QC Inc. in Southampton, Pa. which clearly demonstrated that there is a complete lack of uniformity in testing end products.

Discussion continued around the age-old problem of which components to use and should there by different componenets for different finished products.

No matter how you price the milk, the panelists agreed that local fluid needs can most efficiently be met with local supplies.



A panel of government officials discussed the ag economy at last week's U.S. Dairy Forum. From left are Rep. Sam Gibbons, D-Fla.; Dr. Tom Moore, Council of Economic Advisors; moderator Bill Monroe of Meet the Press; and Sen. Tom Eagleton, D-Mo.

Herd Buy-Out Viewed As Temporary Fix

FT. LAUDERDALE, Fla. – The expert consensus at the second annual U.S. Dairy Forum is that the whole-herd buy-out can only temporarily stem national milk production and over-supply.

However, on a region-by-region basis, the picture changes dramatically.

Speakers pointed to relatively low producer participation in the Northeast and Midwest as signs of plentiful supplies in those regions.

But in California and the Southeast, producers responded in droves to the prospect of getting out of the milk business. Consequently, Jasper Estes of Beatrice's milk procurement division in Alabama said that this fall the region "will be seven percent worse off than in the fall of 1985."

Southern representatives also criticized USDA's decision to accept bids based primarily on dollars rather than taking milk out of regions on equivalent percentages.

USDA's Charles Shaw, of ASCS, indicated tha analysts had examined the 105,000 bids in a variety of ways. He said it was quickly apparent that trying to reduce an equal percentage in each state would have been exorbitantly expensive and unfair.

"We would have had to accept bids of $50 in Pennsylvania, New York and Wisconsin but cut off bids at $11 in Alabama," he said.

Despite predictions of regionally short supplies this fall, southern spokesmen agreed with others in the assessment that increased production per cow and increased herd sizes among remaining dairy farmers will serve to bring production levels back by spring, 1987.

California Milk Producers Council spokesman Fred Douma tried to put the California situation into a picture that East Coast people could understand. Annual production in California is equivalent to total production in Pennsylvania, Maryland, Virginia, North Carolina, South Carolina and Georgia. This area reflects the geographic size of California as well.

The volume of milk in California slated for the buy-out is 10.67 percent, an amount equal to the total production in Georgia and South Carolina.

A minority viewpoint was presented by Rich Stammer of Agri-Mark. Stammer was optimistic about the long-term effects of the buy-out, but conceded that his optimism rested in part on continuing the current commercial sales trend and a delay in the introduction of bovine growth hormone.

"Economics does eventually work," he said. "It is just a long, slow process as farmers are forced out," Stammer said.

He predicted that economic pressures on the remaining producers will lead to an additionaly 100,000 cows per year being sold over the next four years.

Some Midwestern analysts are concerned that the ever-increasing discussion of supply management programs is stimulating producers to add cows. Donald Kullmann of Prairie Farms indicated that 50 percent of those producers plan to increase production from five to 100 percent. "They are planning for a quota or base," he said.