

# World Trade Markets Are 'No Picnic' For Dairy Products

BY JOYCE BUPP

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LAS VEGAS — If American dairy farmers think they have it tough, pricewise, they should try dairying in New Zealand.

And, New Zealanders aren't shy about wanting access to U.S. markets with their excess milk production, especially in casein sales.

That was the essence of a presentation by The Right Honorable Sir Wallace Rowling to the National Milk Producers Federation, meeting last week at Caesar's Palace. Rowling, New Zealand's diplomatic Ambassador to Washington, made world dairy industry comparisons during a panel debate on international trade.

Other panel participants were Montana Senator John Melcher; Brian Joyce, president of the Irish Dairy Board; Bruno Julien, agricultural attache to the Delegation of the Commission of the European Economic Community; and Tom Smith, president of CalCot, an organization of California cotton producers.

Prices received last year by New Zealand's dairy farmers averaged \$5.43 per hundredweight for 4.7

percent butterfat test milk, or the equivalent of \$2.02 per hundredweight for 3.5 percent fat test.

However, cows in this southern hemisphere dairying country graze year round in a favorable climate, making grass the staple and highly efficient basis of the feeding program. With no building investment or maintenance overhead and very low levels of protein concentrates used in feed rations, New Zealand production costs are thus held to a minimum. And, because of the comparatively low economic returns from milking cows, most farmers cushion income additionally with herds of beef and/or sheep.

Still, Ambassador Rowling laments the New Zealand dairy industry being "ravaged by price collapses four times in the past 30 years... other traders have climbed into the market at lower prices."

Exporting milk surplus, largely in the form of the milk protein derivative casein, a good portion of it to the U.S., provides New Zealanders with added price stability. Rumbblings of cutting casein imports into the U.S. makes New Zealanders edgy. New Zealand casein, claimed Rowling,

is produced with no government subsidy, and in response to a demand from the U.S. food industry. He added that casein is the one dairy product traded internationally without barriers.

"Any surge of retreat into protectionism in the U.S. would plunge the Western world into a trade war of gargantuan dimensions," warned Rowling. Furthermore, he added, 14 of the past 15 years, the U.S. has seen a favorable balance of trade with New Zealand. "Our country's future is closely tied to world trade, and it would be a hardship to have to climb over greater trade barriers."

Senator John Melcher of Montana remained unswayed by Rowling's arguments against trade barriers.

"Is a \$160 billion trade deficit a way to have more equitable trade?" thundered the long-time ag supporter, and veterinarian-turned-senator.

Melcher harshly criticized the Reagan administration for not taking a tougher stance on the trade deficit, promising that Congress will do it if the administration fails to act to more favorably balance trade.

"We should have sent cheese to Khomeini instead of armaments," Melcher criticized. "There has been too much emphasis on adventure with armaments."

Offering an alternate solution to cutting back dairy food surpluses on hand, Melcher advocates donating larger quantities of government stored products to developing Third World nations, as both humanitarian assistance and toward generating new market interest. He plans to introduce a bill during the next session of Congress to direct study on methods of adding certain enzymes to non-fat dry milk, in order to make it digestible and useful in the diets of lactose-intolerant peoples.

Irish dairymen produce 12 billion pounds of milk for a population of 3.5 million people, selling some 80 percent, or \$1.25 billion worth, as dairy product exports. Competing on the world trade market, laments Irish Dairy Board president Brian Joyce, is "no picnic."

"International trade will not solve the problems of world dairy surpluses," in Joyce's opinion.

He sees only two ways to tackle the mounting world dairy overproduction: either let support prices fall to the \$6.50 world-market-clearing price, or establish

quota systems.

According to Joyce, the EEC's quota program is successfully working. For three years, production has been rolled back to 1981 levels, an estimated reduction of 15 billion pounds from what European dairymen would be producing without the quota limitations.

World market price, said Joyce, is about one-third of the U.S. support price level. He labeled the dairy industry "one of the most protected in the world," with support prices too high.

EEC agricultural attache Bruno Julien emphasized the European dairymen's philosophy that, if they are buying U.S. grain to produce milk, they should have some access to American markets in return.

He criticized New Zealand's producers for increasing production some 30 percent, further adding to world dairy surplus levels, while EEC dairymen are cutting back under quota restrictions.

Like U.S. dairymen, European producers are paying promotion fees to enhance commercial sales of dairy products. European dairy-consumption-boosting programs include a school lunch program, advertising, reduced prices for low-income families and a special Christmas butter promotion.

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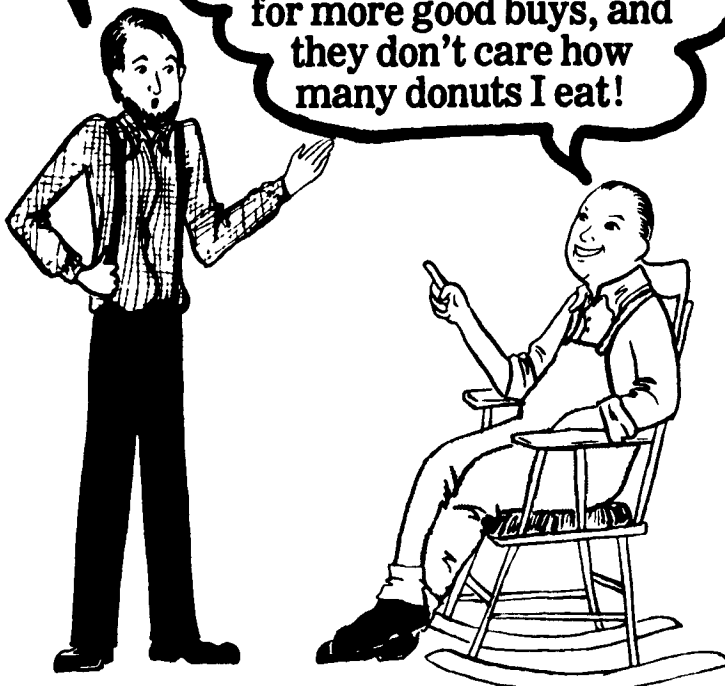
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