

Federal Order Hearings Promise Change

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Special Correspondent

WASHINGTON, D.C. — It's a busy time for those who monitor the federal government's regulation of dairy industry pricing through the nationwide federal order system.

U.S. Department of Agriculture officials, who administer the system, conducted an emergency hearing on the butterfat differential last month, are set to open a massive national hearing in September and hope to hold a hearing on the base pricing system in the near future. That's in addition to the hearings on multiple component pricing in the Middle Atlantic and several Midwest orders that are in various stages of progress.

The changes that may result from this complex and typically cumbersome regulatory process could have significant consequences for local dairymen, whose milk prices are essentially

governed by the system. Hence, officials from area cooperative organizations, such as the Pennmarva Dairymen's Federation, have followed these issues and, in some cases, offered proposals or testimony. But farmers themselves are often left confused by the daunting technicalities of the regulations.

The proposals to change the way in which USDA calculates the butterfat differential comprise the most straightforward of the issues now confronting federal regulators. Trade organizations representing cheese makers, milk processors and ice cream plants -- along with two farmer cooperatives that process milk -- asked USDA officials to take account of the changing price relationship of milk's skim and butterfat components at a hearing in Alexandria, Va., July 31.

The decline in the value of butterfat relative to the skim portion

has divorced the current calculation -- which determines how much handlers pay farmers for the amount of butterfat in their milk -- from market reality, according to Bob Yonkers, an agricultural economist at Penn State University. Handlers selling surplus cream, for instance, complain that the price they're receiving does not justify the price they're paying farmers.

The proposed change has the potential to lower slightly the price that some farmers receive for their milk, but it also could raise others' prices. In fact, the overall impact on farmers is designed to be negligible, according to Jim Fraher, an economist for Atlantic Dairy Cooperative.

The various proposals differ only in their specific details. Each of them would result in a lower butterfat differential than is now the case. Instead of the 11.3-cent differential that was established

for June, for instance, adoption of the proposed change would have resulted in a differential between 9.5 and 9.8 cents, according to Ed Coughlin, an official with the National Milk Producers Federation.

Because the federal orders require handlers to pay farmers the additional cents per hundredweight for each tenth of a percent that the farmers' milk exceeds 3.5 percent fat -- or, alternatively, to deduct the cents for each tenth of a percent below 3.5 -- the changes would benefit some producers and harm others.

"Those plus-up won't be getting as much," Fraher said. "And those making below test won't be deducted as much."

"Winners" and "losers" under this scenario would be relatively insignificant: perhaps several cents a hundredweight a month and several hundred dollars a year for the average dairyman, Cough-

lin said. However, the changes would contribute further to the declining value of butterfat in producers' milk checks.

Coughlin said the five-hour hearing was notable for the overall agreement of the participants that something needs to be done. Because USDA officials are conducting the hearing on an emergency basis, the prospect exists for changes to be in place by Oct. 1, he added.

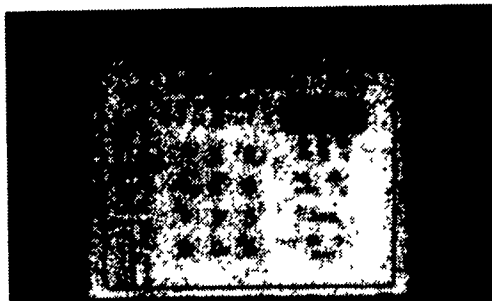
No such fast track is expected in regard to the so-called national order hearing, which USDA officials have set for seven locations across the country during the months of September and October. Most interested parties in the Northeast are expected to testify in Syracuse, N.Y., Oct. 1-5.

Secretary of Agriculture Clayton Yeutter announced the national hearing in response to criticism, particularly from the Midwest,

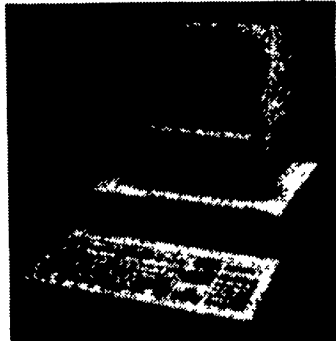
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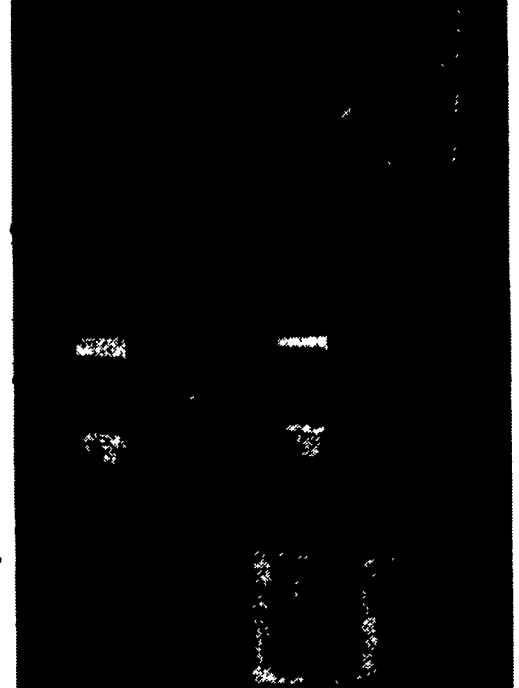
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