

# State Pricing Orders Provide Latest Milk Marketing Drama

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Special Correspondent

WASHINGTON, D.C. — With any change in federal policy on hold until Congress returns from its summer recess, recent milk marketing developments have been revolved around the various state pricing initiatives in the Northeast.

In Harrisburg, Pa., this week, representatives of various farm groups and state agencies got together to discuss the impact of dry weather with the members of the Pennsylvania Milk Marketing Board. Participants say the process could lead to an increase in the current \$1.05 a hundredweight premium the board imposes on buyers of raw milk.

Next week in Albany, N.Y., Commissioner Richard McGuire

of the New York State Department of Agriculture and Markets is expected to hold a hearing to discuss a proposal to revise that state's fledgling raw milk pricing order to include so-called "compensatory payments." That controversial provision has been challenged in court by several processors.

And in New Jersey, where a state pricing order went into effect about the same time as in New York, farmers and processors have locked horns over its scope and its legality.

The various developments reflect the same struggle for relative advantage between dairymen and processors that has been fought in the Northeast since at least the mid-1980s, when over-order pricing efforts began to

revive, say observers. But now the struggle is partly obscured behind the complex facades of bureaucratic and legal language.

The surest bet for higher prices remains the Pennsylvania Milk Marketing Board, which has kept a higher price in place than the minimums specified by the federal order system since the fall of 1987. The board's current order extends the \$1.05 premium on Class I milk through June 1992.

Tom Kugel, a board spokesman, said this week's hearing was designed to "get the ball rolling" in regard to gathering data on the drought's impact, but it does not indicate that the board will eventually move to raise the premium. In fact, he said, no farm group or cooperative has yet submitted a formal petition to the board requesting such an increase.

"There's a drought out there. But it has not yet reached a point where actual dollar figures have been put together to establish needs," said Janet Carson, a spokesman for the Pennsylvania Farmers Association. "And until the board sees that, you're not going to get any change in the price."

In New Jersey and New York, on the other hand, the focus is on the very future of state pricing orders, not on whether they will respond to farmers' drought stress.

In New York, two separate legal suits have been filed by five processors challenging the compensatory payments clause in the interim emergency order issued May 23 by McGuire. That order covers milk marketed in June and

July. A separate final order — without the controversial clause — was issued by McGuire for the 12 months beginning Aug. 1. The Regional Cooperative Marketing Agency has requested the reinclusion of compensatory payments in this final order, according to Gregg McAllister, an agency spokesman.

Under its compensatory payments clause, the state claims the right to charge dealers who sell raw milk produced and processed elsewhere but sold in New York (and thus who are not subject to the state's Class I premium) to make up any difference with the retail prices charged by those processors subject to the premium.

Until the issue is resolved, compensatory payments from June and July are being held in escrow. McAllister said this affects roughly seven of the extra 57 cents a hundredweight due New York producers for their June milk.

The battle is even broader in New Jersey, where some of the same processors are challenging the entire basis of that state's premium pricing order.

New Jersey Gov. James Florio issued an emergency order May 31 to provide a premium of a \$1.05 a hundredweight on all Class I milk sold by the state's dairy farmers. The state government subsequently made the interim order permanent for the 10-month period from Aug. 1 to May 31, 1992, according to Vin Samuel, an economist in the Dairy Division of the New Jersey Department of Agriculture.

The New Jersey Milk Industry Association, a trade group representing the interests of firms that

handle 70-80 percent of the milk processed in the state, has filed suit against the ag department's decision. The suit, filed in the New Jersey State Appellate Court, seeks to overturn the order on grounds that it was not justified. The suit also asks for a stay on the collection of the premium pending a final ruling on the pricing order's legality, according to Don Wettlin, president of the dealer's group.

Neither legal issue has yet been decided by the court, Samuel said last week. In the meantime, the department has determined and processors have paid out the premium for the month of June.

However, Samuel said, two processors — which other observers identified as Tuscan Dairy Farms of Union, N.J., and Johanna Farms of Flemington, N.J. — did not pay the full \$1.05 premium on top of the required federal order Class I price. Rather, those processors put a portion of the required funds in escrow pending a resolution of the court case, he said. A third processor — identified by others as Farmland Dairies of Wallington, N.J. — paid the premium in several installments, Samuel said.

Johanna and Tuscan, both of which are owned by John Labatt Ltd., a Canadian conglomerate, are two of the principals in the one New York suit. Farmland has its own suit in New York. Together, these firms dominate fluid milk processing in the region and there are those who question whether this concentration of market power is good for the dairy farmer.

"I feel it's a matter of exercising

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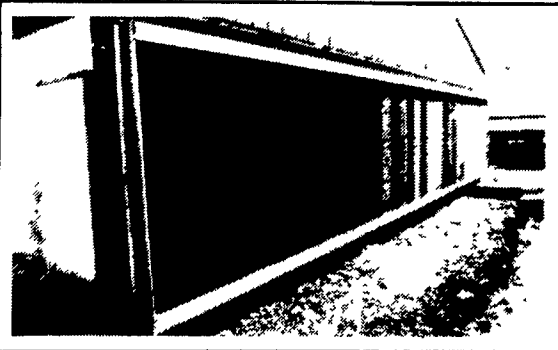
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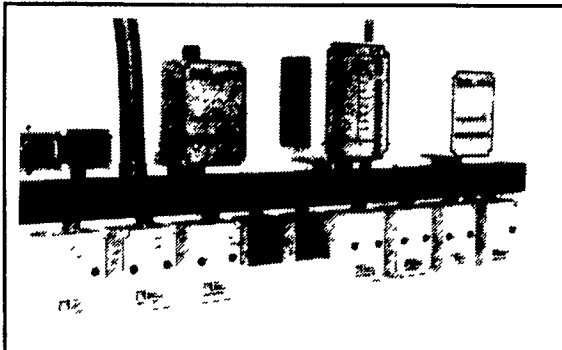
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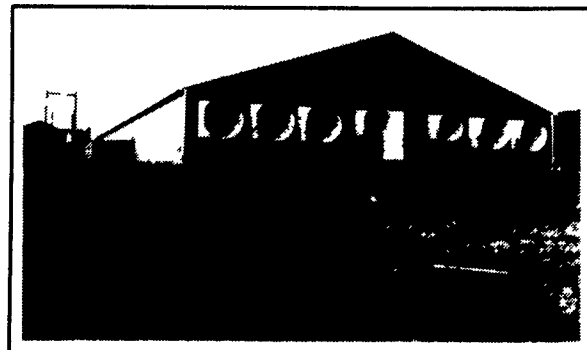
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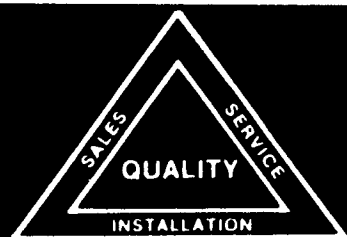


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