

Gray Tells Eastern Milk Cooperative Be Glad For DEIP

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HERSHEY (Dauphin Co.) — The outlook for domestic dairy production for cooperative members is good for the short term, but there are some potential problems of which dairy farmers should be aware, according to Robert J. Gray, executive director of the Council of Northeast Farmer Cooperatives, Washington, D.C.

Gray was guest speaker Sunday during the rescheduled annual delegate meeting and annual convention of the Eastern Milk Producers Cooperative, held at the Hershey Lodge and Convention Center.

It was the first time the cooperative, based out of Syracuse, N.Y., held its annual meeting in Hershey. It was only the third time, in the co-op's 70 years that the meeting was held in Pennsylvania.

A high percentage of the expected 200 delegates attended the function which had been scheduled for March 16, but was postponed because of the Blizzard of '93.

Dick Norton, general manager of the Middle Atlantic Milk Marketing Area (MAMMA) dairy promotion agency, was the scheduled luncheon guest speaker, but failed to appear.

Scheduled to speak earlier in the day, Robert J. Gray, who works out of Washington, D.C., addressed the afternoon group.

Gray discussed the way Washington, under the forming Clinton administration, is apparently starting to look at agriculture, in terms of cutting back services, increasing programs for export, and in fighting the national deficit.

Gray presented mostly a positive outlook for the immediate future, but said that there is a lot of uncertainty with the future, including the new U.S. Department of Agriculture.

USDA Appointees Need Confirmation

Mostly, the uncertainty is that, while about 75 percent of the political appointees have been named, most are yet to be confirmed and therefore lack the authority to make progress under currently operating programs, he said.

He said it means that, until some people get Senate confirmation, there will be no action to implement changes, such as those anticipated with federal order pricing structures.

Gray said that producers should be pleased that the dairy assessment program created under the Omnibus Budget Reconciliation Act is not projected to increase for the next several years.

However, he did warn that there are some in Congress and Washington who are discussing boosting the dairy producer's assessment in 1996 from the current 11.25 cents to 18 cents per hundredweight.

He said that currently \$146 million is raised through the assessment program.

Gray said that while the dairy industry may have gotten off initially unscathed by the change in power and people, other industries of U.S. agriculture have been hit hard in proposals for reductions in federal spending.

He said that target price support commodity programs, such as for grains, have seen a significant reduction in acreage eligibility for deficiency programs. Gray said circulating proposals include a lot of changes that farmers don't like.

He said that there is also some pressure from some Midwest and Southern representatives to lighten the cuts, because of a feeling that they are getting hit too hard.

On the administration's economic stimulus package, Gray said that there are "a few things okay for agriculture."

Economic Stimulus

He said that while the stimulus package was trimmed down from the initially estimated \$30 to \$40 billion, there is projected to be about \$75 million going to Women, Infants and Children (WIC) programs for food subsidies. He said there is also another \$88 billion total targeted for the emergency food program and another public food-welfare programs.

"It could be of benefit for the dairy industry," Gray said, explaining that all these public nutrition programs incorporate dairy products.

Also, Gray praised an investment tax credit program which is to go into effect for projects done in 1993, and for which farmers are eligible.

The credit program is to start off with providing a 5-percent credit and then is to continue on a permanent 5-percent basis.

He said there is also to be an extension of a previous health program deduction of 25 percent.

Gray said he is keeping close track on what the health program proposals are going to be. A deduction on health insurance premiums is proposed, but Gray said he wasn't sure how it would affect the self-employed.

As far as work for re-organization of the USDA, the proposal is to condense the Agricultural Stabilization and Conservation Service with the Soil Conservation Service and the Farm Home Administration to form one agency called the Farm Service Agency.

Consideration for including extension services from land-grant universities into the one-agency program was apparently dropped.

Gray said that while he applauds consideration for increasing efficiency and lowering costs of USDA operation, people should be careful so as to not bog down the USDA with re-organization mandates which would prevent the agency missions from being completed.

"Back in 1976-77, when Carter came in, they were going to re-organize USDA. They spent two years trying to re-organize and never got anywhere."

Gray said that he was "all for cutting down on plush jobs and the number of assistants" on the USDA payroll.

"We can do some things to streamline, but when it gets to infighting among the different agencies, it is wasted energy," he said, because everybody spends time on inter-office subterfuge and not on completing service work.

FDA Sets BST Hearing

In other news, Gray said that a public hearing on BST is set for 8:30 a.m. to 5 p.m., March 31, at the Holiday Inn, in Gaithersburg, Md. The hearing is being held by the Veterinary Medical Advisory Committee of the Food and Drug Administration, and may be the final hearing before FDA gives approval.

This controversial hormone has undergone several years of review by the Food and Drug Administration without being rejected on any

scientific basis. However, some have objected to adopting the technology for personal, ethical, or economic protection reasons.

BST is a hormone produced by the cow which serves to direct nutrients to the mammary for the production of milk.

The hormone is artificially produced in the same way that insulin is currently produced, using genetically altered bacteria. Some proposed applications of the product would be to inject the hormone into a lactating cow. The result has been an average increase in milk production by 10 or more pounds.

On a percentage basis, the amount of extra milk produced varies with each cow, according to how much milk that individual cow produced previous to BST therapy.

Since BST is in all milk, and because levels do not discernably increase, there are no tests which can detect the difference between milk produced with BST and milk produced otherwise.

According to Gray, within 60 days after the public hearing, BST could possibly be approved for use. That would mean, that by August, it is possible that dairy-men may begin using BST commercially.

The public hearing is to address an abstract, cause-and-effect connection between the use of the hormone and public health.

The concern is that — because there has been shown to be statistical increase in mastitis among cows treated with BST, and since cows are treated with antibiotics to combat infections — milk will show up in the market place with antibiotics and thereby posing a threat to public health.

The concern, raised by the formal administration's investigative agency, the General Accounting Office (GAO), apparently assumes that current milk testing-rejection programs are ineffectual for antibiotics. It must also assume that farmers somehow would become more incapable of keeping milk from antibiotic-treated cows from going into a milk tank.

Although Gray didn't specifically address other ramifications of the FDA approval process, the issue does have potential to affect other areas of concern.

Negotiations with Mexico on the North American Free Trade Agreement are hinging on two major issues, both of which narrow down to one thing — production limitations.

Specifically, BST has been legal in Mexico for at least a year.

While there have been no reports of concern about Mexico using BST, that fact has the potential to be a cause of controversy in the NAFTA negotiations.

Gray said he thinks BST will probably be approved for use in the United States, but that presents some challenges, mostly public relations, to the entire dairy industry.

In addition to some farmer objections to its use, there are domestic animal rights groups and various family-farmer-protectionist groups and individuals — some extremist, others respected by mainline producers — which have decried the use of BST and similar technology.

More than BST, it is these misleading, fear-spreading opposition groups and the resultant consumer reaction which should be of concern to the industry, according to Gray.

He said that already there is some talk in the U.S. Congress about introducing legislation which would delay release of BST onto the market.

Of the tactics under consideration by some congressmen is a plan to introduce legislation which would delay domestic approval of BST until the Eastern European Community has done so, Gray said.

Another would be to require that the current U.S. manufacturers of the product be made to set up an indemnification program — such as posting a bond — to pay farmers for loss of cattle, if any, due directly to use of BST.

However, Gray said that these measures should be seen as mere stalling tactics.

To combat the potential negative effect of the controversy on the entire dairy industry, Gray said, "We must come up with strategies and policy."

In other areas of concern, Gray said the pending NAFTA is far

from a sure thing, but that it would be good for the U.S. dairy industry.

According to Gray, the demand for currently available dairy products in Mexico is greater than the supply, furthermore, the agreement would allow duty-free introduction of additional types of U.S. dairy products into Mexico.

However, Gray said opposition is growing because of two major concerns — labor and environment.

Concerns are that creating a free-trade zone would benefit those trading partners who deny workers the same benefits as American counterparts, thus making it cheaper to produce where labor is rewarded less.

A similar argument also is held by some for environmental concerns — that those who spend nothing for long term environmental protection will reap the biggest monetary gain, though short term, on such a free-trade pact.

Gray said that there are also those who oppose NAFTA because they oppose free trade, and believe in a protectionist economic philosophy.

"If NAFTA were up today (for a vote before Congress), it would be tough to pass. In a few months, when they work out the side agreements, it is still going to take some work."

In other aspects of trade, the dairy industry benefitted from the Dairy Export Incentive Program (DEIP), Gray said.

Export of dairy products seemed to take off with sales to the former Soviet Bloc countries, under DEIP, Gray said. That means DEIP is helping to keep on-farm prices higher, because demand is increased.

On the other hand, there is currently a 10-metric ton milk powder shipment going overseas which was provided by 12 regional cooperatives.

"In addition to the humanitarian aid, they're looking at the potential trade and trade in general" in providing the food and sending representatives over, Gray said.

The cooperatives were praised by Gray for taking an initiative in looking to see where they can help themselves develop trade agreements.

Ag Cuts Will Be Determined Through Farm Bill

SIoux FALLS, S.D. — Major agricultural budget cuts were postponed until 1996 in order to give time to consider changes needed in the 1995 farm bill, President Bill Clinton announced in a video taped message to the National Farmers Union Convention.

President Clinton told NFU convention delegates that agriculture would be asked to participate in the nation's deficit reduction efforts. However, he noted that agriculture had already experienced significant budget cuts in the last budget compromise.

He said his economic package purposely postponed the major agricultural cuts to give time for his administration to put their stamp on agricultural and rural policies.

Clinton indicated his administration would be willing to consider how the proposed budget cuts would be carried out. He said he wanted to hold off on major

agricultural cuts until after his administration is able to work out the 1995 farm law to better serve the needs of family farmers.

He told the convention that his plans for the national economy won't happen until rural America prospers again. He also promised that he would put family farm agriculture in the forefront of his plans for rebuilding the nation.

He reviewed his proposals to audit every federal program to achieve the necessary savings for deficit reductions. "We will not

raise taxes, until we can get these savings from our budget," he said.

He affirmed his commitment to carry out major rural development programs and improving rural infrastructures, including roads, bridges, and water and sewer systems.

Clinton expressed appreciation to the farm organization. "The National Farmers Union was the only major farm organization to endorse our program for change. Together we will make that change happen for America," he said

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