USDA Seeks Comment On Federal Order Consolidation

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WASHINGTON, D.C. — The 1996 Farm Bill mandates that the current 32 Federal milk marketing orders be consolidated into 10 to 14 orders.

As part of this consolidation process, the U.S. Department of Agriculture is actively reviewing all aspects of federal orders and is considering possible options for improving the current system.

Although not mandated, the Department is considering various changes to the Class I price structure, classification of milk provisions, and as part of Vice President Gore's National Performance Review — Regulatory Reform Initiative, simplifying, modifying, and eliminating unnecessary differents in order provisions.

Three reports are available that discuss these issues in detail. A summary of each report has been enclosed for your reference.

Copies of the price structure report, consisting of a summary report and a technical report, classification report, and identical provisions report can be obtained from the Dairy Division, AMS/USDA, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456, (202) 720-4392.

These reports can also be obtained from any Market Administrator office or via the Internet at http://www.usda.gov/ams/dairy.htm under the "Federal Milk Order Reform" heading.

These reports were drafted by the Agricultural Marketing Service's Dairy Division.

The reports contain suggestions, ideas, and initital findings to provide a focal point for developing proposed rules to implement the order consolidation required by the 1996 Farm Bill.

Industry and public input on the reports and the submission of ideas or suggestions on any aspect of the regulatory program are requested.

We request that all ideas or suggestions be mailed to the Dairy Division at the above address or E-mailed to Milk_order_Reform-@usda.gov by June 1, 1997, although they will be accepted throughout the entire process.

As addressed in my Memorandum to Interested Parties on Oct. 24, 1996, interested parties are specifically invited to provide input on the probable regulatory impact of Federal order changes or modifications on small businesses.

A dairy farm is defined as a "small business" if it has a gross revenue of less than $500,000 per year, and a handler is a "small business" if it has fewer than 500 employees.

To obtain additional information regarding small business input, please write to the above address or access information at the Internet address.

Summary Of Pricing Options

Several options for modifying Class I pricing under the Federal milk market order program, representing a spectrum of views, are discussed in this summary report. The accompanying technical report summarizes all of the comments and proposals received by the Department related to Class I pricing under Federal orders.

Most Class I pricing concepts that were suggested would continue to employ a market-driven basic formula price (BFP), with an added differential.

Differentials are a composite of one or more of the following elements: 1. a fixed component; 2. a location adjustment; 3. an adjustor relating to utilization; or 4. the cost of balancing the market. Based on the pricing concepts received, the following options were developed.

Option 1A. Location-Specific Differential — $1.60 per hundredweight fixed differential for three surplus regions (Upper Midwest, West, and Southwest) within a nine-zone national price surface, plus for the other six zones, an added component that reflects regional differences in the value of fluid and manufacturing milk.

Option 1B. Modified Location-Specific Differential Option — $1.00 per hundredweight fixed differential plus an added component that reflects the cost of moving bulk milk to deficit markets.

Option 2. Relative Use Differential — $1.60 per hundredweight fixed differential plus a formula-based differential driven by the ratio of Class I milk to all other uses of milk.

Option 3A. Flat Differential Option — $1.60 per hundredweight flat differential, uniformly applied across all orders to generate an identical minimum Class I price.

Option 3B. Flat Differential Modified by Class I Use — $2.00 per hundredweight differential in markets where Class I utilization is less than 70 percent on an annual basis and a differential equal to $2.00 + $0.075 (Class I use % — 70%) in markets where the Class I utilization is equal to or exceeds 70 percent.

Option 4. Demand-Based Differential — $1.00 per hundredweight fixed differential plus a transportation credit based on location of reserve milk supplies.

Estimated Class I differentials are presented for each option to provide a preliminary basis for determining impacts that may occur. The report provides estimated differentials for the suggested 10 consolidated orders and for the current 32 Federal milk marketing orders.

The report concludes by soliciting comments on the options presented and poses a series of questions for the public to address when submitting comments back to the Department on the issue of Class I pricing.

Summary Of Classification Report

The Agricultural Marketing Agreement Act of 1937 provides that all milk should be classified "in accordance with the form in which or the purpose for which it is used."

This has resulted in a system of uniform classification provisions that place milk used for fluid purposes in the highest use class, Class I, and other manufactured products in lower classes, Classes II, III, and III-A.

Currently, products packaged for fluid consumption such as whole milk, skim milk, buttermilk, and flavored milk drinks are classified as Class I products. Class II products include ice cream, yogurt, cottage cheese, and cream. Class III and Class III-A products include cheese, butter, and nonfat dry milk.

Among the changes in classification recommended in the technical report are the following:

•Eggnog would be reclassified from Class II to Class I.

•Any fluid beverage having less than 6.5 percent nonfat milk solids would be reclassified from Class II to Class I.

•Cream cheese would be reclassified from Class III to Class II.

The technical report recommends changing the classification of milk used in nonfat dry milk from Class III-A to Class III. The report recommends that if Class III-A pricing is not eliminated, the following four alternatives be considered:

•Place a floor beneath the Class III-A price;

•Restrict III-A pricing to certain months or to certain markets;

•Provide an up-charge for nonfat dry milk used in higher-valued products; or

•Provide for a combination of these options.

Maintaining the classification of milk used to make nonfat dry milk in Class III-A is also an option, although not discussed in the technical report.

The technical report addresses Class III-A pricing because of industry concerns about the substitution of nonfat dry milk for fluid milk in Class II and III uses when the Class III-A price is substantially below the Class III price.

Summary Of Identical Provisions Report

Federal milk marketing orders contain numerous provisions that establish the regulations for the operation of the orders.

Over the years, the orders have been individualized to account for specific situations associated with a given marketing area. However, there are several provisions within the orders that are similar or that could be similar and still provide for efficient and orderly marketing of milk.

The technical report does the following:

•Suggests a model for establishing the consolidated orders and provides suggestions on the order language that can be adopted uniformly throughout all orders.

•Reviewed, simplified, modified, and eliminated differences in order provisions that: a. Define various terms used in the orders; b. Establish regulatory standards for plants and handlers; c. Provide for uniform reporting dates of milk receipts and utilization; d. Provide for uniform dates for payment of milk; 4. Provide for computation of a uniform price.

•Reduces performance standards to make it easier for producers to associate with a market.

At this time it is impossible to determine if there would be any financial impact on producers, handlers, or consumers as a result of any of these suggested provision revisions.

It is projected that there will be little impact on the overall program because the changes primarily provide for uniformity. There may be minimal impact on selected individual producers, handlers, or consumers, but this can not be determined until more specific information is developed regarding the orders (i.e., marketing area and pricing).

The suggested identical provisions will be applied to each of the suggested consolidated orders and determinations will be based on the marketing conditions of the given region.

One suggested change in the report that may stimulate some debate is the definition of a producer-handler.

The technical report suggests applying the most liberal standard to the producer-handler definition to prevent any producer-handler from becoming regulated as a result of milk order reform.

Producer-handlers have been exempt from full regulation because they assume the full risks associated with being a producer and a distributor of milk produced with only occasional and small volumes of milk being purchased from other dairy farmers.

By Competing, We Learn

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if double-cropping beans, to use late group 3 or early group 4 beans. Many early varieties provide a plant that is too short and the pod comes out right at ground level, making it difficult to combine. The later groups provide taller plants which help at harvest time.

Rohrer enjoys the positive feedback he receives from the awards. He also enjoys being able to beat his neighbors at the challenge of achieving high soybean yields.

Like the tobacco Rohrer grows, the soybeans are planted on some of the best, well-drained soils in the county. Rohrer said he learned early on to "manage the soil," a key for growing tobacco and soybeans.

Sheep Show, Sale At Derry Ag Fair

BLAIRSVILLE (Indiana Co.) — The 1997 Natural Colored Wool Growers Association (NCWGA) Region 5 Sheep Show and Sale will be held at the Derry Agricultural Fair in Derry from July 7-12.

Derry Fair is located off Rt. 22, 10 miles south of Blairsville.

The sheep show is scheduled Tuesday, July 8 at 10 a.m. There will be four NCWGA classes: Fine, Medium, Long Wool, and Aged Class. Grand champions will be chosen in each class. The aged class is an addition to the Derry Fair. All entries must be NCWGA registered. The entry fee is $1.50 per animal.

For the NCWGA Breeding Sheep Sale, for lamb ewes, rams, aged ewes and rams, sale entry fee is $12 payable to the Derry Ag Fair. The sale is scheduled Friday, July 11. Entry deadline is June 25.

Also scheduled is the NCWGA Wool Fleece Show. A private treaty on the sale of fleeces is offered. Exhibitors must indicate weight, price, name, address, phone number, breed of sheep, and sex — this information should be labeled on your fleece. There is no entry fee.

Every NCWGA member is welcome. Region 5 comprises Pennsylvania, Delaware, Virginia, Maryland, West Virginia, and North Carolina.

For entry forms, contact Candace Burke, Region 5 Director, Burke's Little Twenty Sheep Farm, 383 Iron Bridge Rd., Freeport, PA 16229, (412) 295-4928. Send entries to Dave Durika, Derry Ag Fair, NCWGA Show and Sale, RD#3, Blairsville, PA 15717, (412) 694-8113.