

PMMB Hears Testimony On Class I Premium

VERNON ACHENBACH JR.
Lancaster Farming Staff

HARRISBURG (Dauphin Co.) — It was only mid-October that the Pennsylvania Milk Marketing Board (PMMB) held a special hearing and meeting to consider changing the state's over-order premium on fluid milk because of drought and continued low dairy prices received at the farm.

This week the PMMB held another special hearing to consider implementing a statewide Class I milk price to offset a possible national dairy price crisis resulting from a recent federal district court judge's ruling in a civil suit about how the United States agriculture secretary establish the price of drinking milk in 1992.

Backtracking a little to the mid-October action by the PMMB, a 40-cent per hundredweight (cwt.) of milk premium increase was approved by the PMMB in a follow-up public meeting, to provide Pennsylvania producers whose milk is produced, processed and retailed as drinking milk within Pennsylvania with a total of an extra \$1.20 premium per cwt. of their milk actually sold as drinking milk.

That premium increase was approved because the state's dairy producers have been suffering badly from drought, crop damage, high feed costs, and a somewhat suspect severe decline in dairy prices.

Without a doubt, the effect and purpose of the narrowly applied PMMB premium is to benefit Pennsylvania consumers by ensuring that they will always have locally available drinking milk.

The way it does this is by attempting to ensure marginal profitability of Pennsylvania dairy producers and processors of drinking milks.

These premiums are not significant as enticements to enter or expand dairy business.

It is generally understood that, from a business standpoint, the premium benefits producers and processors who are in the business as much, if not more, out of a love for it than for its profits.

The premium is intended to help them tread water during periods of economic hardships, instead of succumbing to bankruptcy and leaving the state's fresh milk supply up to surviving out-of-state or instate monopolistic corporate

interests.

The goal of the PMMB is stability of the dairy industry, so as to assure a consistent, safe and inexpensive milk supply for an indefinite time to all Pennsylvanians, rural and urban.

The danger in allowing the instate producers and processor to fail because of temporary price instability is that it would seriously risk the availability and affordability of fresh drinking milk in many out-of-the way areas.

With the largest rural population in the nation, Pennsylvania still has many out-of-the way areas.

Any fresh milk supplier to Pennsylvania, without a vested interest in the local community, presents a risk to that local community's ability to receive fresh milk.

A non-local dairy products provider, operating strictly from bottom-line profit motivations, could well find that long-distance hauling of drinking milk into rural Pennsylvania not worth the effort.

History shows that consolidated, downsized businesses cut out marginally profitable routes, or raise the price to consumers to cover the higher cost of hauling smaller quantities longer distances.

That's nothing but common sense, as well as modern business practice.

Pennsylvania consumers, especially those in the low-income rural areas, could likely lose their local fresh milk supply.

But, the PMMB not only has the authority to establish a premium. It also has the authority to establish a statewide Class I price.

On Tuesday this week, the dairy industry of Pennsylvania told the PMMB to use that authority.

The PMMB is expected to soon announce a date for a public meeting to consider and act upon the testimony.

That meeting is expected to be held near or before mid-month.

The state dairy industry's request of the PMMB this week: Set a statewide Class I price that is equivalent to what it would be under regular pricing calculations by the U.S. Department of Agriculture.

For those not familiar with the current United States dairy crisis, on Nov. 3 a federal district court judge in Minnesota ruled that the USDA's setting of Class I differentials (in effect a premium for drinking milk) is illegal in 28 fed-

eral milk marketing orders.

The effect of that ruling would mean that dairy producers would receive a lot less for their milk; much less than it cost to produce.

It is widely agreed that a great percentage of family-dairy farms in Pennsylvania would most likely be wiped out quickly and permanently under the judge's ruling.

The predicament is the same in other states. Only Pennsylvania, with the PMMB, has the administrative tools and authority to prevent chaos and an implosion of the dairy industry.

In effort to prevent a national calamity, U.S. Secretary of Agriculture Dan Glickman requested a stay of the federal court judge's

order, which would at least nullify the ruling until an official appeal could be heard.

A hearing on Glickman's request for a stay was scheduled to be held after presstime Friday, Dec. 5.

Nevertheless, the dairy industry in Pennsylvania supports the

(Turn to Page A36)

PMMB Opponents Relatively Quiet Lately

VERNON ACHENBACH JR.
Lancaster Farming Staff

HARRISBURG (Dauphin Co.) — Political pressure and support to tear down all government commodity support programs appears to be declining.

Especially with regards to the Pennsylvania Milk Marketing Board (PMMB).

With dairy prices received by farmers running from mostly below- to at-farm production cost levels, and the only thing coming between disaster and survival for many dairy farmers being a request by U.S. Secretary of Agriculture Dan Glickman for a stay of the Nov. 3 judgement of a Minnesota federal district court judge, political efforts in the state to gut the PMMB recently have been mostly quiet.

In fact, if nothing else, the recent decision by the federal district court judge — that Class I differentials in 28 federal milk marketing orders are illegal, and therefore buyers don't have to pay extra to farmers for milk used for Class I purposes — has brought a renewed national spotlight upon the PMMB.

A growing number of other states have begun looking into developing their own milk marketing boards to establish their own Class I over-order premiums.

In fact, the Land O'Lakes Cooperative recently testified before the New Jersey Division of Dairy and Commodity Regulation that it is requesting the Pennsylvania neighbor to create its own version of the PMMB.

And quickly.

For independent dairy producers and processors, this can be expected to be good news.

While it doesn't mean that the market can take an oversupply of dairy product without further reducing the value of the commodity, it does mean it is less likely that some in the industry will be able to eliminate completely government influence on milk prices and quality.

What the recent federal dairy pricing crisis demonstrates is that, if Pennsylvania didn't have the PMMB, it wouldn't have any mechanism for dealing with the effects of the federal court's ruling.

Without the PMMB, the dairy industry in Pennsylvania would be much more vulnerable to a complete takeover by a corporate force.

As many have noticed, and others are beginning to discover, competition within many day-to-day public service industries has not increased, but decreased with the loss of some governmental oversight.

Short term, predatory price cutting by deep-

pocketed corporations can quickly eliminate most independent competition.

Especially in production industries that require substantial overhead and are characterized by low profit margins and many, but small independent businesses, there have been many examples of how a large, deep-pocketed corporations have been able to enter the field of business, force bankruptcy level wholesale and retail prices, and sit back and outlast the smaller competitors.

A recent article in the Wall Street Journal commented on the phenomenon.

According to an article in the Dec. 4 edition of the Journal, staff reporter Timothy Aepfel wrote about how, in the face of an already saturated market for their product, that leaders of businesses apparently continue to keep expanding their production, until there is only one left standing.

"But if people know this will happen," he wrote, "why keep building?"

"Call it the psychology of overcapacity. The fact is that most top executive are well aware of impending gluts in their industries, but many are hoping they will emerge as one of the winners after the inevitable bloodbath."

He went on to state that it is his finding that some of the reason for this self-destructive behavior is because people apparently like to play follow-the-leader.

"Part of it is herd behavior. Everyone else is expanding, so you do it too," Aepfel wrote. "But there are also good reason to think that what you're building is essential to your survival."

In his article, Aepfel cites business leaders who state that it has become the ethic of modern business to keep growing until there is only one provider left remaining.

That sensibility in business has been creeping into agriculture, down from the large international agricultural giants to the local and regional businesses, and to farmers.

For the dairy industry, the affect of that sense of business may ultimately cause the loss of local control and production of dairy foods, as has happened in the poultry, beef and pork industries.

In fact the dairy industry doesn't seem to be too far behind those other industries in how the production/processing/delivery system has evolved.

For a variety of reasons, local butchers and slaughterhouses and producers have been largely locked out of the business of delivering local product.

However, with the authority and support of the PMMB, local dairy production, processing and retail can be expected to have a foothold in Pennsylvania.



Petersheim's Cow Mattresses
Rubber Filled Cow Mattresses
117 Christiana Pike (Route 372)
Christiana, PA 17509

Pasture Mat The Golden Standard
In Cow Comfort

- Fits Any Stall
- Reduces Bedding Costs
- Polypropylene Bag Filled with Rubber




- Sewn Every 4" To Prevent Shifting
- Easier For Cows To Get Up And Down
- NEW! Non-woven 50 oz. Top Cover - Less Abrasive

INSTALLATION AVAILABLE. CALL FOR DETAILS
SAM PETERSHEIM
610-593-2242

AGRI-INC. Custom Built Farm Buildings
Designed To Your Needs



**RIDING
ARENA
AND
HORSE
STALL
BARN**




Let Our Experience Work For You

• Site Layout • Building Design • Construction

- Dairy Complexes And Replacement Stock Facilities
- Horse Stall Barns And Riding Arenas
- Workshop And Machinery Storage Buildings
- Timber Column Building For Light Commercial



AGRI-INC.
The Construction Professionals



**Serving The
Agriculture Industry
For Over 29 Years**

151 E. Farmersville Road, Ephrata, PA 17522 • (717) 354-4271