

## The Dairy Compact:

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representatives have asked the PMMB to address issues concerning a statewide differential, and separately, to consider extending its over-order premium to all Pennsylvania producers through pooling.

The context for all of this is that the United States is undergoing an historic and dramatic change in policy and conduct with regard to its domestic agricultural production.

As a nation, policy has been steered away from having federal government captain the agricultural production industry in order to ensure low staple food prices through the use of price controls and incentives.

The new direction is to allow commodity demand and customer ability to pay to provide incentives to produce. The new direction also is to allow natural business competition to establish the nature of the industry, such as regions of production, processing and transportation, etc.

The 1996 Farm Bill both outlines and in some cases details the setup for the "weaning" of United States agriculture from federal production programs (though it provides different and expanded incentives for environmental protections).

Also part of the context of all of this is the expanded trading opportunities and timetables established through the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA).

The 1996 Farm Bill directs a reduction in the number of federal milk marketing orders (FMMOs or F.O.s for federal orders) from 32 to between 10 to 14.

U.S. Secretary of Agriculture Glickman has made a proposal on the restructuring of the federal milk marketing orders, which is available through the USDA Internet home page. Issued two weeks ago, a 60-day public comment period went into effect immediately.

Under the Farm Bill, as a transitional aid for producers in the Northeastern United States, authorization was granted for the creation of a Northeast Dairy Compact, whereby the New England states could price its milk through a commission that includes a representative from the consumer sector.

The Northeast Compact has been in existence for six months, and its impact on dairy production in the Northeast states is of interest.

Telephone calls made this week for information from the USDA Federal Order 1 milk marketing administrator on production levels (to compare before and after Compact) for the region were not returned.

While dairy producers supplying the market there have been receiving higher prices, according to numerous sources, the higher prices could serve as an incentive to increase production in the region.

Since the higher-paying Class I (drinking milk) market is assumed to be fulfilled, any increased production would be directed to the lower paying uses of butter and milk powder.

Since farmers are paid on the basis of an overall "blend" of the uses for milk, increasing the amount used for lower-paying uses would reduce the overall compensation for milk production.

Eliminating artificial incentives to dairy production growth is the key reason for changing the nation's dairy policy.

The Northeast may actually be helped in maintaining a higher price because recent ice storms

caused milk losses in New England, New York and Canada. Milk was dumped because of blocked roads and loss of electricity.

If production and supplies were hurt enough, prices should improve, if not at least remain stable.

However, if the higher farm price for Compact producers does prove to serve as an incentive for increased milk production it may result in lowering prices in the months following recovery from the winter storms.

Complicating the whole picture is the fact that included in the Farm Bill is the provision that New York, Pennsylvania, Maryland and a couple of other states could join the Compact should three conditions be met: that the state be contiguous to a Compact state; that the state legislature and governor sign into law authorizing legislation; and that the U.S. Congress provide consent.

In addition, the authority and existence of the Compact is to cease in April 1999, when the new federal order system is to be

established.

That April sunset date for the Compact doesn't allow much time for the political process to achieve all three steps in order to expand the borders of the Compact. It would seem difficult to achieve by April, much less have farmers receive any benefit.

Farmers in the upper Midwest have gone on record as opposing the Compact because incentives to increase production that results in oversupplying the lower-paying uses of milk will significantly lower their milk check.

Further, Sen. Rick Santorum, the only member of Pennsylvania's current Congressional delegation to sit on an agricultural committee (he's a member of the Senate Agriculture Committee and chairman of its economic and rural development subcommittee), said Thursday that sentiment in Washington is against expanding or extending the Compact.

He said that while the Compact was initially opposed during consideration of the Farm Bill, eventual authority for the Compact was

made primarily to benefit only the small, low dairy producing New England states.

Sen. Santorum said it was his understanding at the time that the Compact was being authorized because the New England states represent a small segment of the dairy industry and because the region's political leaders argued that the small family farmers in the area were necessary to maintaining the rural attraction upon with the region's more economically viable tourism industry heavily depends.

Santorum said the Compact was not designed to affect dairy prices nationally, and was not intended for two of the top dairy producing states in the nation — New York and Pennsylvania.

He said opposition would be strong from other states, not only because it would most likely hurt dairy producers there, but because it goes against the entire direction of the Farm Bill — eliminate government supports and pricing.

Actually, until the recent lobbying effort by the new mega-

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### CORRECTION

A Grower Meeting of Brubaker Agronomic Consulting Service was incorrectly listed in last week's Lancaster Farming. The list should have said:

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