

Dairy Industry Is A Complex Beast

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when the supplier has more than it can sell at a higher price.

Because raw milk is quickly perishable, selling milk is a constantly renewed game of changing values — after all the higher-paying uses of milk are satisfied, the rest of the milk is sold at less profit for lower-paying uses; after those uses are satisfied, the demand for even lower-paying uses are then satisfied, even if at below cost.

The quantity of milk available to be sold for all uses is a variable, and that makes the farm price extremely volatile.

The milk pricing system attempts to create an overall farmer-paycheck value for milk, after taking into account how it was used.

The more excess milk sent to market, the less the farmer receives, even if it was all used.

The less milk sent to market, the less chance that those needing it to make lower-paying dairy products will get it at a decent price.

Then, three things can happen — either the farmer gets slightly more money, or an alternative source for milk is found and the farmer is out, or that low-rung processor gets out of the business and the farmer is out.

The dairy industry is not acting in a vacuum. Similar changes are affecting almost the entire spectrum of human activity in recent post-Cold War times.

Some of the changes have caused concern for stability and dependability.

A recent published report stated that personal bankruptcies ballooned during the past three years while half were because of loss of employment, many of those surveyed reported that credit cards and easy credit were involved.

Accumulating American con-

sumer credit debt has been identified recently as a major influence in the continued economic growth of the United States.

Recently, some economists have predicted that growing consumer credit debt, combined with an expected recession (as part of a "normal" economic cycle, which hasn't been normal) could result in very serious problems.

According to published reports, some legislators have already discussed changing some of the bankruptcy laws.

Outside of internal pressures from regulations and, in some cases, a lack of regulation, outside pressures persist.

Pressure from global influences upon United States domestic dairy policy has been strong.

For example, through the New Zealand Dairy Board, the New Zealand government has been lobbying for years in Washington D.C. to change United States policy to make it easier for New Zealand to ship its dairy product here, half way around the world.

New Zealand currently supplies markets around the world with various and specially manufactured dairy products. It supplies dairy products to the tourism-dependent islands south of the United States, such as Barbados and Jamaica, for example.

In 1995, the New Zealand Dairy Board, represented by a Washington D.C. firm, called for the elimination of United States price supports, and allowing a totally free market situation prevail.

With the passing of the 1996 Farm Bill, the United States dairy industry now has a timetable for the removal of United States government domestic price controls.

However, New Zealand can't reasonably be credited with the change in United States policy.

In the United States, there are

many businesses which export agricultural products and commodities around the world, such as Archer-Daniels Midland (which had been under investigation for price collusion). They want better abilities to place their lower-cost products in foreign markets and expand their sphere of business.

In some cases, a company may be based in the United States but also have production facilities in other parts of the world, or wish to purchase products or commodities from non-domestic sources.

Former and continued United States defense-related policy also has international implications.

United States political policy toward former war allies, world peace allies, and defeated nations also led to the exodus of many manufacturing, industrial and textile industries to countries with little environmental and safety regulations, and the benefit of poverty-paid labor.

Emerging democracies require rewards for their people in order to keep democratically inclined leadership popular.

Allowing those nations to be protectionist, while allowing open access to the United States consuming market has provided those nations with economic strength and growth and a higher standard of living. The result has been to showcase the benefits of democracy to neighboring, non-democratically inclined neighboring nations.

With the Cold War supposedly over, the need to continue those one-sided trade relationships has ended, forcing truer self-reliance for those nations, which means an economic readjustment, and possible recession.

With the passage of the General Agreement on Tariffs and Trade, and the North American Free Trade Agreement, more dairy pro-

duct is now being allowed to be imported in the United States, forcing increasing competition with domestic production.

However, United States policy is changing with regard to those nations that have been receiving beneficial considerations to help maintain world peace and build support for democracy there.

Currently some of the economies have been faltering as the beginnings of real democracy has begun to split up the closely tied government/businesses relationships that were established in initial efforts to convert those nations to democracy.

Further, with the reduction of United States military posts around the world, money from United States military no longer stimulates some foreign economies as it had.

In order to be successful in achieving long-term world peace and security for many people of the world, United States leadership has the goal of not acting too hastily in removing, or calling for the removal of all of the artificial supports from those nations, such as South Korea.

Differing environmental, labor and safety regulations are issues which were mostly ignored in the final passage of the GATT and NAFTA trade agreements because they may have been impossible to justify immediately, and could

have pulled the rug out from those nations' economies and created a barrier to sending product to the United States.

In the meantime, there are efforts by some to ensure that United States world peace negotiators don't act too freely in giving away concessions on any of those issues with regard to agricultural production.

That agriculture is a national security issue has been a common theme of Pennsylvania Secretary of Agriculture Samuel Hayes Jr. He is not alone. Others also have made the case that any nation that doesn't have a dependable food or water supply is a nation at risk of attack or submission.

For this and other reasons, agriculture was the biggest obstacle in settling on a GATT, after several years of failure to deliver and agreement.

Most trading nations are not equal in the adoption of trading restrictions. Negotiating trade involves other nation's domestic policies, because international policy affects domestic policy.

Currently, for the dairy industry, it seems the outcome of events, both domestically and internationally, is uncertain because the dairy industry isn't sure what the government will do, the government isn't sure what the dairy industry will do, and neither can be certain what other nations will do.

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