N.E. Compact Commission Sets Supply Management Hearing

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corn prices, which had since plummeted.

The additional milk production resulted in the Compact Commission paying the USDA Commodity Credit Corporation $1.76 million in the fall of 1998 because the Compact is required to compensate the federal government for surplus purchases if milk production increases faster than the national average. The government had purchased excess dry milk and the Commission was charge for its pro rata share.

Then after making that payment, the Commission held a broad issue rule making hearing to take additional testimony on milk supplies and whether there was a need for supply management.

At that time, according to Becker, there were several proposals — some coming out of Massachusetts, some from Compact staff, and some from other places.

The staff reviewed the proposals and consolidated the testimony, and at the January 1999 meeting, the Commission decided it was time to consider the issue.

According to Becker, the Commission had collected testimony over about a nine-month period and sent all the information to its regulatory subcommittee, directing it to review it, do further study of milk production stastitics, consolidate the testimony from its spring 1998 meeting, and formal testimony collected in December 1998 and to come back to the commsision with recommendations.

At the Compact Commission's April meeting, it determined to enter into the proposed rulemaking.

"They are now wanting to hear from the public at large," he said.

As it is now, the results of all the information gathering and fact-finding are to be deliberated at the Commission's June meeting.

Prior to a permanent amendment being made to Compact over-order pricing regulations, there must first be a public comment period, commission deliberation, and then a producer referendum requiring a two-thirds majority vote of Compact producers.

As it is, the current supply management proposal is negative-incentive based, in that an assessment would be collected from all dairy producers, but given back only to those who have either maintained production or decreased it from one year to the next.

Those who increased their annual production above 1-percent for the year would forfeit any assessment refund.

A refund would be made on a flat rate for those who kept production increases under 1 percent, or decreased production.

Those who decreased production would receive the flat-rate refund and an additional refund based on the hundredweight of milk decreased from the prior year's production.

More specifically under the proposal, the Commission would collect an assessment from farmers at a rate of $250,000 per Compact monthly marketing pool, up to a total maximum of $3 million per year for the entire Compact.

The actual hearing announcement on the proposal was published in the April 19 Federal Register.

Though not a member state, the actions of the Compact Commission are of interest to those involved in the Pennsylvania dairy industry, because the state Legislature has been considering proposed legislation enabling the state to join the Compact should it be expanded and should it be reauthorized beyond Sept. 30.

State farm policy organizations, and several regional and national dairy producer and milk marketing cooperatives have been lobbying the state's elected officials for legislation to authorize the inclusion of Pennsylvania into the Compact.

(A version passed the Pa. Senate and is currently set to be reviewed by the House Agriculture and Rural Affairs Committee. The state Legislature has until the end of June to act; a deadline tied into the state's fiscal year and the need for a state budget).

If the Compact is not reauthorized, several things would certainly happen: Becker and the other four full-time Compact staff members would be out of work; dairy pricing would revert to being influenced by regulation and administration by federal milk marketing orders based on supply and demand of milk and domestic market trade of manufactured commodities; commission members could stay in their respective states instead of meeting monthly in Concord, New Hampshire; and Pennsylvania and New York dairy producers who now ship milk to the New England states wouldn't receive a Compact price for their milk.

Also, the supply management proposal would be moot.

The Compact' is controversial because the 1996 Farm Bill (Freedom to Farm Act) was designed to end federal government support programs of agriculture in an attempt to remove obstacles to free global trade.

The Compact was approved as a temporary measure to help the New England states, a region that produces less than 3 percent of the nation's milk supply, with a transition buffer.

From July 1997 through August of 1998 (July 1998 was the last over-order premium until this coming month), the Compact was able to pay dairy producers an additional $45 million, or an average of $11,000 per farm in the Compact region, according to Becker. He said the average price increase per hundred pounds of milk was 41 cents, representing a 2.5- to 3-percent increase over what would have been received.

The Compact Class I use has fluctuated from a high of 52.3 percent in October 1997 to a low of 43.5 percent in May 1998.

The Class I utilization rate month-over month did decline between the last half of July 97 to the last half of July 98, Becker said, and while the Class I volume went up about a million pounds from Octobert 1997 to October 1998, the total milk pool volume increased as well.

Becker said that, historically, since the 1950s, New York dairy farmers have contributed about 25 percent of the milk to the New England states (it has fluctuated some, especially when the Federal Order 2 price was higher), and now with the Compact New York's contribution is about 26 to 27 percent, Becker said.

"We have noticed more being diverted out since," Becker said. "As a result the Commission amended the regulations (as to how much) could be diverted and transferred out of the region that could still have Compact pricing."

He said those limits are seasonally adjusted for receiving plants — 8 percent of plant volume can be diverted in the fall months, 13 percent in the spring.