

# N.E. Dairy Compact Commission

(Continued from Page A21)

growth in dairy farm establishment in the past decade, and most of those operations involve large operations.

Furthermore, during the late 1980s and early 1990s, university dairy and agricultural economic research recommended production of a minimum 1 million pounds per employee in order to be profitable, as well as milking a minimum herd of 500 animals in order to attain a middle income standard of living for a single family.

While demand for milk has been growing slightly, annual national production increases have exceeded the consumer demand.

Exports have been boosted and maintained somewhat through the USDA Dairy Export Incentive Program, but world prices kept low through artificial means and dumping, and higher non-agricultural overhead demands on United States dairy farmers prevent non-domestic markets from serving to assimilate annual dairy production increases.

All that aside, the Northeast Dairy Compact is being held up by its promoters as a successful model for stabilizing dairy farmer income.

This is being asserted by certain milk marketing interests and farm policy groups.

The expressed goal of these groups is to see the Northeast Dairy Compact extended indefinitely, and opened up to include the Middle Atlantic states. Another goal is to create a Southern Dairy Compact, and others in the nation, if possible.

On the other hand, representatives of independent producers and processors and some smaller dairy cooperatives with local markets have spoke out against the Compact, because it removes some of the potential reward for actually

being competitive and more efficient.

Instead, it is the opinion of the opposing side that the guarantees offered would seem to pave the way for less diversity in the dairy industry, as well as fewer players.

For those unfamiliar with how milk is priced under the Compact, the minimum beverage milk price (Class I) for farmers is set to reflect a reasonable cost of production. (The level of actual margin depends on the individual operation).

However, farmers get paid on the basis of all the uses of their milk, a "blend price," which is a direct result of how it is marketed.

The more of the milk supply that gets directed to uses other than beverage, the lower the overall farmer price.

Since the Compact has been in existence, the percentage of milk in the region being used for Class I has dropped.

However, since the Commission doesn't set minimum farmer prices on milk used for other pur-

poses, it is considering a supply management system to prevent continued percentage decreases in Class I uses.

The bottom line is this: the farmer's price is more a reflection of the percentage of his milk that gets used for Class I, than a reflection of how high the price set for Class I milk.

To testify, or for more information, call the Compact at (802) 229-1941, or visit the web site at [www.dairycompact.org](http://www.dairycompact.org).

## Dairy Market Snapshot

**FRANK HIGDON**  
Dairy Agent

**Blair Co. Extension**  
**HOLIDAYSBURG (Blair Co.)**  
— Dairy farmers and dairy industry partners are working together more closely than ever to sell milk — and it has helped increase demand for dairy products.

Throughout the 1990s, total milk sales have shown an annual average increase of 1 percent to 2 percent.

While butter and cheese markets continue to show some weakness, fluid milk production remains strong and well above year ago levels in many major

milk producing areas.

At the national level, milk prices are sinking. They will slip to \$12.80 - \$13.50/cwt. by next year. That's down 50 cents per cwt. from the likely '99 average, close to farm price of '98.

Low feed costs and strong current prices will stimulate production and depress prices for the rest of this year.

Since 1984, dairy promotion organizations have helped sell more than 200 billion additional pounds of total milk over the amount projected by the U.S. Department of Agriculture. For the first time, dairy farmer promotion groups, processors and

grocery stores are working together to sell more milk.

The American Dairy Association & Dairy Council Mid East has been working with grocery stores using "Got Milk," and the "milk mustache" advertising in school food service, nutrition marketing, public relations, consumer promotions, and research and technology efforts.

The Agriculture Department will provide more dairy export

subsidies under the Dairy Export Incentive Program for farmers hurt by low prices. It will allow exports of 50,000 tons of products until June 30.

Exporters can bid for nonfat dry milk, whole milk powder and cheese. Although subsidized products cannot be exported to Asia, they can be sold to the Caribbean, Central and South America, Africa and the Middle East.

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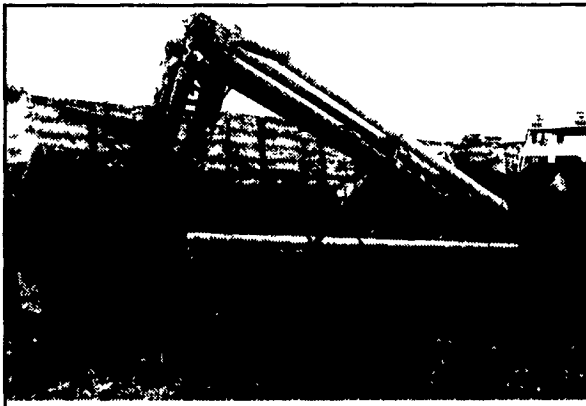
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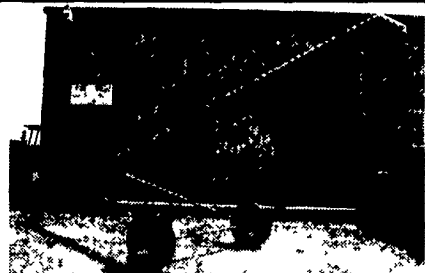
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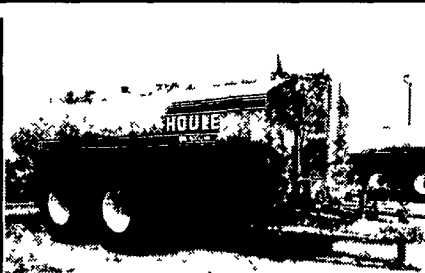
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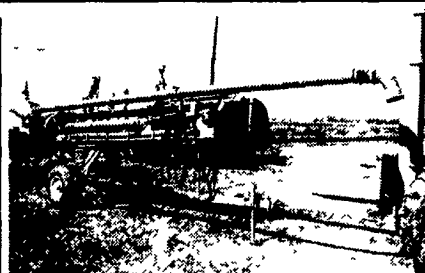
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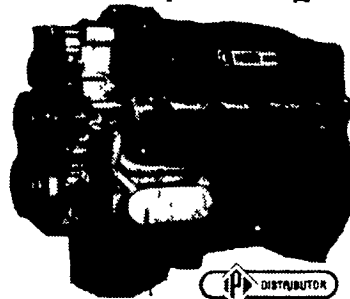
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