

Budget Agreement Falls Short

WASHINGTON, D.C. — The National Farmers Union (NFU) recently acknowledged House and Senate action to set aside \$7.1 billion for income assistance initiatives for farmers and ranchers.

However, the organization cautioned that this level of assistance and details of its allocation and distribution are inadequate to meet the ongoing economic crisis in agriculture.

"In this atmosphere of record low farm prices, another assistance package for agriculture is crucial," said NFU President Leland Swenson. "Still, we are concerned that this agreement provides assistance at a level lower than that of last year's package. It fails to identify

funds for weather-related crop failures that we know will come to several regions of the country."

The agreement, which is the result of a compromise between the Republican House and Senate budget proposals, sets aside \$5.5 billion for direct payments to be paid this year. NFU believes that this assistance is insufficient given the prospects for continued pressure on commodity prices and weather-related crop disasters in the southern Plains and Midwest regions of the nation and a high probability of natural disasters elsewhere.

Additionally, NFU challenges the authorizing committees in Congress to implement policies

that result in greater program equity for producers and more effective distribution of this assistance than has occurred under the Freedom to Farm Act and as a result of two prior emergency packages. Assurances need to be made that

aid will be provided in a timely fashion to farmers and ranchers according to need.

"The cumulative impact of extremely low commodity prices for the last three years is taking a heavy toll on rural America,"

said Swenson. "We are pleased Congress provided additional assistance in the budget, but I don't think it is enough to address the problems. I had hoped they would do better."

Joint Annual Convention

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dated from 31 to 11. "That gave us six weeks to put together an operating system for this new order," said Walker.

With the merger, the newly-formed Northeast order or Federal Order No. 1, which includes the old Federal Orders 1, 2, and 4, is the second largest order, producing 2.1 billion pounds of milk monthly. It is also the largest order for Class I volume at

900 million pounds monthly.

The Mid East Federal Order is the third largest and resulted from the merger of Federal Orders 33, 36, 40, and 49.

Walker evaluated the progress of four major issues in federal order reform. Those issues included order consolidation, Class I milk pricing, formula price replacement, and multiple component pricing.

"For the most part, everyone is satisfied with the new federal orders," said Walker. "However there is still some unrest about unregulated areas in the Northeast and about California remaining unregulated."

According to Walker, the consolidation eliminated duplicate reporting and grouped competitive handlers into the same markets.

Positives that Walker cited for the Class I differentials were that producer revenue was either enhanced or unchanged, price alignment was improved across orders, and price alignment was improved with unregulated areas.

"There is still intense regionalism between the markets," said Walker. "This comes back to the producer price differential."

Reasons that Walker cited for the regional differences were that the Class I milk price was higher in some areas, the Class I percentage of total volume differed between regions, and the PPD was added to the higher of either Class III or IV milk price.

"The Basic Formula Price is still a problem," said Walker.

The positive aspects that came from reforming the BFP were that grade B milk no longer dictates grade A milk price and that prices are more transparent.

"Many people question the NASS survey reliability," said Walker. "They also question the make allowances and yields. How do we know that a volunteer survey is accurate?"

Walker indicated that more than 100 people participated in a recent hearing to address the BFP pricing system. 32 proposals were heard during five days of testimony.

For the Northeast region, Walker said that hauling rates in New York are still a producer concern. "It's difficult to understand what caused the increases."

He also claimed that reporting and payment dates are too narrow. Coordinating the information flow is also challenging.

"Long term, we are going to have to look at this," said Walker. "It's creating a lot of problems for cooperatives, processors, and the federal order staff."

Ken Bailey reviewed the latest trends in the dairy industry and showed how increased production drove up cheese supplies.

"Cheese stocks are six percent ahead of what they were a year ago," said Bailey. "That's what's keeping prices down."

When he outlined butter prices, he showed that decreased stocks were strengthening the butter or Class IV price.

"We are also importing more dairy products than we have been," said Bailey. "But could it be because our cheese and butter prices are higher than other countries?"

Bailey said that forecasted prices depend on a lot of things. "Futures are showing that the price won't get above \$12.50," said Bailey. "But that depends on cow numbers, expansion, and the weather. We don't really know what will happen in the second half of the year."

Bailey concluded his presentation with these points. Milk supply will continue to expand, the big will continue to get bigger, and some farmers will be pushed out.

He questioned whether the existing policies will be tweaked and if we are positioning our farms for the future.

"Regardless of what happens, there are tremendous opportunities for the dairy industry in the Northeast," said Bailey.

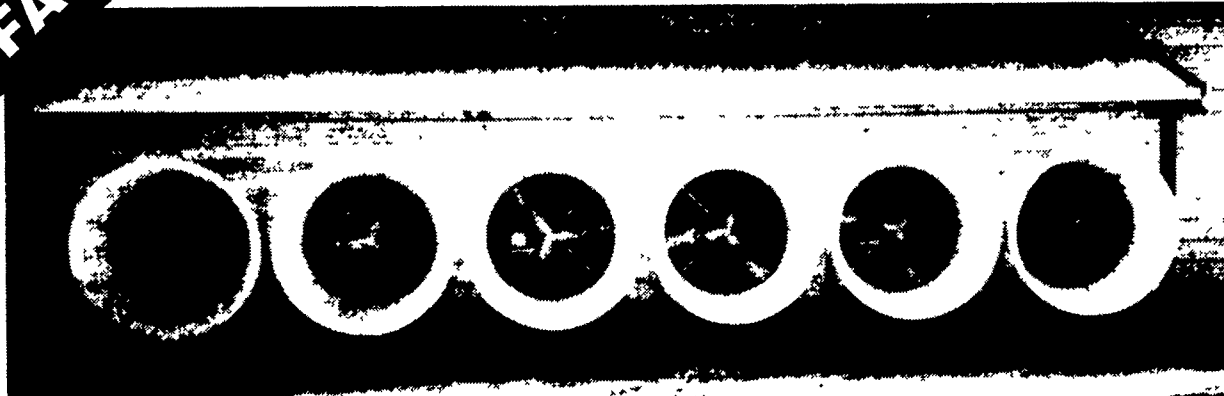
Bailey moderated a panel discussion that included John Vetne, Esq.; Robert Wellington, Agri-Mark; Sharad Mathur, Parmalat USA; and Pete Hardin, The Milk Weed. The panel addressed issues such as a free market, the dairy compact, the federal order system, and government involvement.

Other events during the two-day convention included a breakfast buffet, Gettysburg Military Park tour, Shotgun Golf Tournament, guided bus tour of Hershey, and a cocktail party.

The convention culminated with the Annual Banquet on Tuesday evening, where awards and presentations were made.

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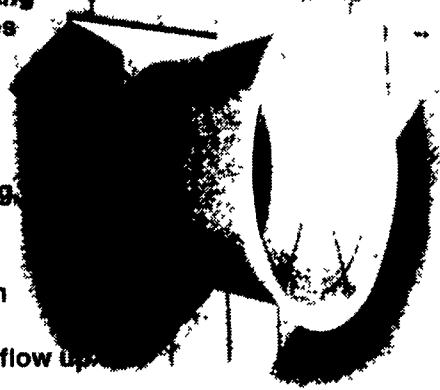
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