

Grange Opposes Pooling Proposal

STATE COLLEGE (Centre Co.) — The Pennsylvania State Grange presented testimony here this week before the House and Senate Agriculture Committees at a special hearing convened to hear both sides of a proposal by the Pennsylvania Milk Marketing Board to pool the over-order premiums paid to dairy farmers for fluid milk produced, processed, and sold in the state.

Brenda Shambaugh, Pennsylvania State Grange legislative director, opened testimony on behalf of the Grange. The Grange has always been opposed to premium pooling.

"We have had experts come to meet with our agriculture committee and dairy sub-committee several times since the pooling issue has surfaced," Shambaugh said. "Every time the issue is discussed, (Grange) policy is re-evaluated and has remained the same."

Shambaugh said that the Grange agriculture committee stated in their 2001 committee report, "The Grange reaffirms our policy in opposition of pooling the over-order premium."

"The Grange strongly believes that pooling will be detrimental to most dairy farmers across the state," Shambaugh said. She testified to two specific reasons for the Grange's opposition to pooling.

"Competition in milk markets can mean extra dollars in a dairy farm-

er's pocket," Shambaugh said. "Processors need to satisfy their producers to maintain their market, so they have to pay what the market will bear. Pooling means that everyone receives the same amount of the premium. In essence, that means competition is compromised."

Tied to competition, she said, is the fact that "pooling the over-order premium dilutes the premium to an almost insignificant amount. Farmers who currently receive a large portion of the premium will have their milk checks reduced substantially. But those dairy producers who will receive more of the premium than before pooling will not significantly increase their milk check. They will receive a small amount of the premium because it will be sent to all dairy producers. So those farmers will lose their competitive edge."

Charles E. Wismer Jr., a dairy farmer from Montgomery County and a past president of the Pennsylvania State Grange, testified that "more than half of the dairy producers across the state will lose money if 45 percent of the over-order premium is pooled."

Wismer also linked the over-order premium to competition.

"I am willing to take less directly from the over-order premium because I believe that I will lose more indirectly if the money is pooled. Competition is part of business. Pooling takes away competition"

Wismer testified that he has a concern for where the pooled money from the over-order premium would go. He said "The money will be sent to the co-op from the Pennsylvania Milk Marketing Board. There is no law or regulation mandating that the funds be passed on to the producer. The co-op could keep the pooled money and use it to build a new plant or send it to a farmer in another state."

Charlie Seidel, a Berks County dairy farmer also testified on behalf of the Grange against the proposed pooling regulations. He opened with the statement, "Pooling will have a significant negative impact on my dairy operation."

"Because my milk is produced, processed, and sold in Pennsylvania, I receive the Pennsylvania Milk Marketing Board over-order premium," Seidel said. "Last month I received slightly over 75 percent of the premium, or \$1.13 per hundredweight. The premium amount of my milk check last month was approximately \$900. If the proposed regulations were implemented, I would have received only 80 cents per hundredweight, which would have decreased my paycheck by over \$250."

"The Pennsylvania State Grange and I strongly urge the House and Senate Agriculture Committees to request that the Pennsylvania Milk Marketing Board withdraw their proposed pooling regulations," Seidel said.

Weekly Dairy Market Outlook

(Continued from Page A16)

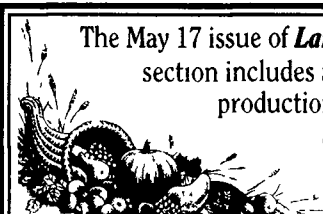
proceeds from special exports with the Canadian domestic price to individual Canadian producers. This could provide an incentive to expand beyond the highly restrictive Canadian quota system for those producers. Second, U.S. dairy farmers would face lower prices here in the U.S. as imported raw milk from Canada displaces domestic milk.

The last speaker was Rick Phillips with Dairy Farmers of Canada. He did a good job presenting the Canadian perspective. He defended the Canadian system of rigid quotas and high internal domestic prices. Basically, Canadian farm prices are higher and more stable than those in the U.S. Canadian dairy farmers I spoke with said the price is high enough that they can afford to purchase and finance quota along with normal production expenses.

The best part of the program was speaking with the Canadian dairy farmers after the meeting. The dairy farmers in Alberta are very sharp and open to discussion of different ideas. While they respectively disagreed with the U.S. and New Zealand policy and some of the WTO proposals, they were open to different ideas.

It was clear from my perspective that Canada would not benefit from any of the proposals for trade reform that are being discussed at the WTO meetings. My assessment is that Canada will pursue a strategy of defending their quota system. They will likely try to reserve a special status during the WTO negotiations for those countries that manage a quota system. For example, they could agree to live within the confines of their restrictive quota policy and face limited increases in imports, but only if they agree to forgo export subsidies and access to global markets.

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