

Dairy Market Report

(Continued from Page A16)

this policy proposal. On the one hand, NMPF is pushing legislation that will close unfair trade loopholes in the World Trade Agreement (WTO) by placing new tariffs on MPC imports. We chastised the Canadians for exporting beyond their WTO limits. But now NMPF intends to use export bonuses funded by this voluntary program to "dump" surplus cheese and butter abroad. This is contrary to the spirit of our trade agreements and can only cause economic hardship for dairy farmers abroad.

But let's assume for the moment that world prices aren't negatively impacted by this program, all dairy farmers contribute their 18 cents per hundredweight, and milk prices then rise

by more than \$1 per hundredweight. The predictable result is that this will then lead to new expansions, more milk and more cheese, butter, and nonfat dry milk. What then? Will we have a second round of this program and charge small producers 32 cents per hundredweight?

A fundamental problem with so many dairy policy proposals is that everyone wants to have their cheese and eat it, too. It is natural to want new subsidies, price floors, and increased import protection. But we certainly don't want some government program requiring us all to curb production. That, we snobbishly argue, represents a form of socialism and is better left to the Canadians or the Europeans. The Canadian system, by the way, does work: they provide high and

stable prices within a quota framework. But in the U.S., we want it both ways: higher guaranteed milk prices and no mandatory supply control.

We have reached a critical point where we have to make some fundamental choices regarding what kind of dairy policy we want in this country. One cannot continue to have newer and greater price guarantees without some thought given to a national mandatory supply control program. Such a program would require everyone to participate.

But we really don't like mandatory supply control programs in America. And if that is the case, we have to rely on market forces instead to determine milk supply, demand, and prices. That will require us to give up all subsidy programs. Why? Because subsidies and price supports impede market forces. Add to that a slow U.S. economy and you have

a big problem. The fact is, you can't have your cheese and eat it too.

The benefit of a real market is that it forces producers to develop products that consumers want. This is a far cry from the current situation where it is more profitable to produce nonfat dry milk for the government than for real customers. Because of the support price program, we are now relying on countries like India and Estonia to provide part of our dairy protein needs. In addition, the support price program is providing an artificial floor on milk prices that allow some very efficient California dairy producers to add more cows, even when market prices are depressed! If you don't believe me, check out the March 2003 milk production report.

If I was elected the new Dairy Czar, my preference would be to eliminate the price support pro-

gram and keep the Milk Income Loss Contract program (MILC) if there was going to continue to be government involvement in the markets. Getting rid of the price support program would allow processors to competitively produce milk products such as MPC and casein here in the U.S., and would make year-after-year expansions in states such as California much more risky. I'd keep the MILC payment program because it is targeted to smaller producers who aren't likely to expand. Also, it is socially appealing to provide some price protection to smaller, more vulnerable market participants.

The U.S. dairy industry would be better off and stronger in the long run if we moved toward less government intervention and greater market orientation. Few economists would argue against this. That said, if we don't want freer markets and do expect greater protection from market forces, we should accept some form of mandatory supply control. Voluntary supply control sounds good, but has not worked in the past. California alone has doubled their milk production since supply control programs were last used in the mid-1980s.

Either we will have higher guaranteed milk prices for all producers with a Canadian-style supply control program, or we'll opt for much less government intervention and a market-oriented dairy policy. You simply can't have it both ways.

Editor's note: This column was published earlier as a Cheese Market News guest column. The opinions here are those of the author and not of Penn State University nor necessarily of this newspaper.

processors to

J-STAR YOUR ALL-IN-ONE FARMSTEAD EQUIPMENT SOURCE

Silo Unloader Technology Takes a Giant Leap Forward!

BIG JIM. Quantum SYSTEM

SIMPLY THE BEST!

You know tower silos are the best way to store feed. Now Jamesway® gives you the best way to fill and feed fast, with great reliability. Plus, you get:

- Better Feed Quality
- More Feed Storage
- A Clean Chute

The all-new industrial-design Big Jim QUANTUM System can be installed in any type of 20' to 30' forage silo. . . conventional or oxygen limited. And since it requires little maintenance and has no doors to change, you eliminate trips up and down the silo.

CALL US TODAY FOR A VIDEO AND BROCHURE.

The Silo Unloader Experts

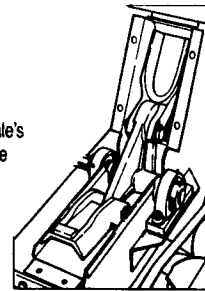


America's Best!

MAGNUM II™ SURFACE DRIVE SILO UNLOADER

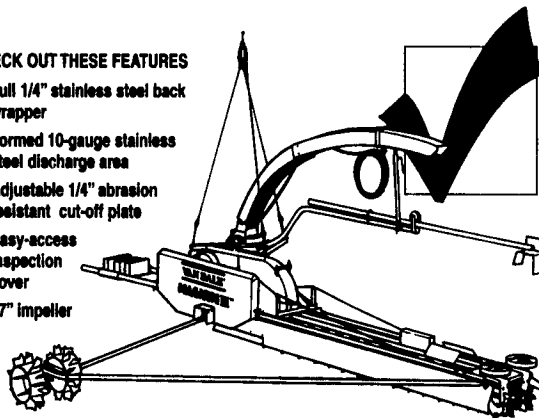
America's best selling silo unloader just got better! Van Dale's been writing the book on silo unloading technology for more than 45 years. And Van Dale invented and perfected the surface drive unloader. Now it's time to introduce the next generation. The MAGNUM II!

The new MAGNUM II features a brand new Hi-Perform™ Impeller which adds more "throw-power" than ever before. Check it out and then check in with your Van Dale Dealer



CHECK OUT THESE FEATURES

- ✓ Full 1/4" stainless steel back wrapper
- ✓ Formed 10-gauge stainless steel discharge area
- ✓ Adjustable 1/4" abrasion resistant cut-off plate
- ✓ Easy-access inspection cover
- ✓ 27" impeller



THE VAN DALE ADVANTAGE

Contact your local dealer for details!

VAN DALE Dependability through Quality

4.9¢ Long Distance Service

4.9¢ per minute, first minute, every minute, in your state, and in all 48 states. 6 second billing

Call JDS Telecom 1-888-315-1179

SENENIG MANUFACTURING



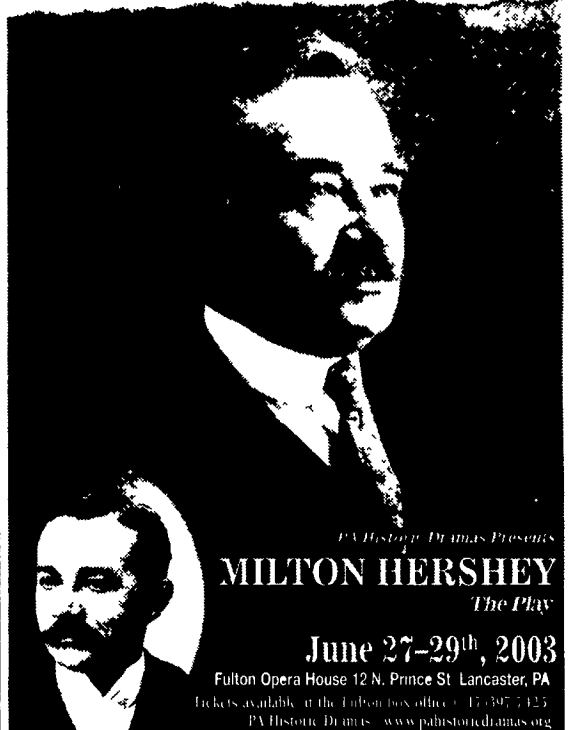
Manufacturers of Headlocks with Downed Cow Auto Release!

- Crowd Gates (we install)
- Tie Stalls w/stainless steel Curb Mount
- Gates and Fencing
- Hot Dipped Galvanized, Gatorshield Galvanized Products
- Gutter Grates

All Types Of CUSTOM MANUFACTURING and REPAIR
Phone: 610-488-7801 Fax 610-488-8873

The Daily Record

Milton Hershey Returns to Lancaster!



MILTON HERSHEY The Play

June 27-29th, 2003

Fulton Opera House 12 N. Prince St. Lancaster, PA
Tickets available at the Fulton box office • 739-7123
PA History Dramas • www.pahistorydramas.org

It wasn't for Lancaster there probably never would have been a town called Hershey!

Last Area Showing

• CABLE ALLEY SCRAPER • WASTE HANDLING EQUIPMENT • FEED HANDLERS
DUMPS - TANKS - TILLAGE APPLICATOR BELTS - FEEDERS - CONVEYORS

See These Dealers For Details Now . . .

FRANKLIN'S FARM SERVICE
Laceyville, PA
570-869-2407

HOOVER EQUIPMENT
Tyrone, PA 16686
814-684-1777

ROVENDALE AG & BARN EQUIPMENT
Watsontown, PA 17777
570-538-9564 OR 570-742-4226

SOMERSET BARN EQUIPMENT
Somerset, PA 15501
814-445-5555

HARRY TROOP
Cochranville, PA 19335
215-593-6731

LAPP'S BARN EQUIPMENT SALES & SERVICE
Gap, PA 17527 717-442-8134

SOLLENBERGER SILOS CORP.
Chambersburg, PA 17201
1-800-909-6909

STAR SILOS
Chambersburg, PA 17201
1-800-909-6909

AGRI EQUIPMENT
Myerstown, PA 17067
717-866-0200

HISTAND'S FARM & HOME SERVICE
Rome, PA 570-744-2371

JAMES L. HOSTETTER
McVeytown, PA 17051
717-899-6386

MARYLAND GLADHILL TRACTOR MART
Frederick, MD 21701
301-663-6060