

Agriculture by Susan B. Cohen

Carter planning dairy deregulation?

The lure of dairy price deregulation is a taxpayers' savings of \$250 million, but, at the cost of driving producers out of business.

The Carter administration is expected to decide within the next week or two whether or not its Agriculture Department will accept a petition to hold hearings on a proposal to deregulate the price of reconstituted milk. The petition and proposal to "adjust" the 40 year old federal milk marketing system is being pushed by the so-called Community Nutrition Institute (CNI), an arm of the Consumer Federation of America.

This is the latest development in the "dereg" craze that has seized "liberals" and "conservatives" alike. The campaign against the dairy industry, like the trucking, rail and banking deregulation, is being pushed as an "anti-inflation" measure. Consumerists and other advocates insist the measure will help poor people fight milk price inflation and save taxpayers \$250 million.

Spokesmen for the dairy industry, contacted by this writer, point out that the move would not only open the door for a complete disruption of the federal milk marketing system around which the dairy industry has been efficiently organized, but it would actually act to precisely the opposite effect of that claimed by its proponents. By introducing chaotic price competition, the measure would drive producers out of business, ultimately reducing milk supplies and pushing the price up.

Besides predictable support in the White House Office of Con-

sumer Affairs—and Secretary Bob Bergland's Naderite plant in the Agriculture Department, Carol Foreman—the plan is being pushed by the Justice Department and by Alfred Kahn's Council on Wage and Price Stability. The Justice Department undoubtedly views the proposal as a tool in its own vendetta against farm cooperatives, among which the dairy coops are some of the most prominent.

Alfred Kahn is among the bigger guns behind the move. He reportedly already sent a letter to Agriculture Secretary Bergland explaining that elimination of the regulations that "artificially raise" the price of reconstituted milk has his personal recommendation, and "urged" Bergland to "expedite" its implementation.

Under the existing regulations that make up the federal milk order system, milk processors are told how and at what minimum price they can purchase farmers' milk. The price structure varies from area to area, depending on the cost of producing fluid milk, with the Midwest dairyland as the base scale. The price structure is also linked to a system of government guaranteed price supports. Under this system, powdered milk which sells at retail for about 2/3 the price of fluid milk, is priced at the same rate as fresh whole milk to processors who buy it to produce so-called reconstituted milk.

Consumerists argue that "de-

regulating" the price of powder for reconstituted milk would make its price competitive with fresh whole milk and force down nationwide average fresh milk prices between 5 and 13 cents a gallon. They also claim that the proposal would save taxpayers \$250 million a year because the government might not have to buy as much surplus milk powder and other dairy products to support prices. But in an economic environment characterized by an 18 percent inflation rate and a 20 percent prime interest rate, the "consumer savings" involved is hardly compelling.

But what the measure would do is open the door to price wars that could rip apart the industry. A University of Minnesota study shows that the effect would be to lower dairy producer income, on average, by \$2,000 per farm—in certain areas, like the Northeast, and depending on farm size, losses per farm would be double that or more. Many producers, would simply sell out.

The dairy industry has by and large correctly gauged the nature of the CNI operation. An early February release by New York State Grange charged that the real objective of the CNI was to destroy all federal milk orders.

The measure's proponents not coincidentally also oppose milk price supports which guarantee producers 80 percent of parity through twice-yearly adjustments in support rates. The April 1 support price increase of 71 cents per hundredweight has come under attack as "inflationary." But even with the price support, according to knowledgeable sources in Wisconsin, producers are still selling milk at \$5-7 below cost.