

Agriculture by Susan B. Cohen

USDA sells half the 'butter mountain'

Despite State Department sabotage efforts, USDA is taking the steam out of the antidairy lobby.

The U.S. Department of Agriculture announced officially during the first week of August that it would sell 220 million pounds of butter held in government stockpiles to New Zealand for a total of \$155 million. That's less than the government paid American dairy farmers for the butter under the dairy price support program, but it's a respectable contribution to recouping government expenditures. Beyond the sale proceeds proper, several million dollars worth of savings in warehousing costs can be added.

The sale is the first action by the government to move dairy product stocks held by the Commodity Credit Corporation that administers the price-support program into commercial export channels. The CCC now holds 440 million pounds of butter, 530 million pounds of cheese, and 740 million pounds of nonfat dry milk.

Since at least the beginning of the year, when the David Stockman and Common Cause-coordinated attack on the dairy industry went into high gear, producers have been demanding USDA action.

The butter sale has been blocked by the State Department for more than a month. In one more episode in his ongoing war with Agriculture Secretary Block, Secretary of State Haig implored President Reagan that the butter should be kept in government warehouses rather than allowed to fall into So-

viet hands. The Soviets were the only serious buyers in the market.

"Frankly, I prefer to sell," Secretary Block argued publicly, but Haig torpedoed even plans to sell the butter to brokers or traders. It would send the "wrong signal" to the Soviets, he said.

The New Zealand sale, reportedly complete with a clause prohibiting resale to the Soviets, was drummed up to move the matter off dead center. Though Haig's tough-guy routine is still intact, there is apparently nothing to stop New Zealand from selling their own ample dairy product output to the Soviet Union.

The "surpluses" bought by the government and held in government warehouses have been the pretext for attempts to strip down the dairy program, the strongest of the federal farm programs. But as producers have explained, the unusual buildup of "surplus" stocks over the past year did not result from the 80 percent parity price-support level. Instead it was the result of such extraneous factors as Paul Volcker's usurious interest-rate policy, which has prompted dairy manufacturers to let the government store the product inventories they usually maintain in the commercial pipeline.

Considerable evidence existed, furthermore, that the CCC was complicit in helping to create the stockpile buildup by refusing to use its existing authority to move sup-

plies into commercial markets.

While dairy producers were being branded as "freeloaders" and the dairy program attacked as a "giveaway" by David Stockman, dairy producers have been put into an economic bind made tighter by congressional bows to the Reagan administration's demand that the April 1 price adjustment be eliminated, effectively freezing dairy prices at the October 1980 level.

From 1979 to 1980, a study done by North Carolina State University extension economist G. A. Benson showed, dairy producers' losses rose from 34 cents per 100 pounds of milk to a substantial \$1.34 per hundredweight.

The so-called surplus of milk could change rapidly into a disastrous shortage, Benson warns.

The first steps to getting CCC action on dairy sales were taken last spring when Sen. John Melcher (D-Mont.) proposed an amendment, which was adopted, to the 1981 Farm Bill directing the secretary of Agriculture to undertake a sales program. The House Appropriations Committee included similar directives in the Appropriations bill for fiscal 1982. Early in the year, CCC reached an agreement to supply Mexico with 60,000 tons of dry milk amid rumors that Mexico would have taken much more had CCC presented better terms.

As late as a week before the announcement of the New Zealand sale the entire effort was threatened with a new round of DOS objections. Strong intervention from members of Congress, including Congressmen William Wampler (R-Va.) and Charles Stenholm (D-Tex.) and Senator Robert Dole (R-Kan.), helped keep the project on course.