Agriculture by Cynthia Parsons

Drying up the dairy industry

New legislation enables the OMB to cut price supports to force farmers to cut dairy production.

Earlier this year, a Congressional Research Report predicted that if there were a $2 cut in dairy price supports, the fall in dairy sector income would endanger future milk production, especially in deficit areas.

Failing to heed the warning, Congress has put into the hands of the Office of Management and Budget, which labors under the economic fraud that the world is suffering from "overproduction" in agriculture and industry, the means to cut dairy production. H.R.1875, passed by the House May 24 and approved by the Senate one month later, mandates that there will be no increases in milk price supports through 1985, no matter how much production costs increase.

This bill not only reverses previous U.S. government policy to ensure quantity and quality of dairy production by price supports, but gives the OMB the ability to cut price supports further if production—and the immediate cost of price supports—do not decrease. Congress has apparently learned little from the disaster of the Payment in Kind (PIK) program, which, with the same economic ineptitude that only counts costs which can be touched, was intended to reduce the "costs" of grain programs, and cut production. According to USDA figures, PIK has already cost the government $13 billion more than all farm programs last year.

Worse still, the new legislation will roll back price supports one dollar, to $12.60 per hundredweight, if the freeze does not suffice to cut production and price support outlays, starting Oct. 1, 1983. The price a farmer received for his milk in 1980 was $12.60 per hundredweight.

Further provisions of the bill show that "saving money" is little more than a cover to force farmers to slash production. By July 1, 1985, if production exceeds 6 billion pounds annually, price support levels will be reduced another 50 cents, and another 50 cents will be cut if government purchases of surplus are projected to exceed 5 billion pounds annually on July 1, 1985. In 1982 the Agriculture Department bought about 14 billion pounds.

The bill also provides for a "voluntary" paid diversion program whereby the farmer would receive $10 for each hundred pounds of production cut. Although the cuts are voluntary, the program will be funded by a mandatory dairy check-off of 15 cents per hundredweight, which would also fund dairy promotion.

Complicating passage of the dairy package was the OMB's demand that the next agricultural bill coming out of Congress must freeze the commodity crop target price—the price at which the grain storage program allows grain to be released to the market. Though the Senate Agriculture committee did approve a bill to freeze target prices for the next two years at current levels, the administration is to date by no means assured it will get the final legislation.

Congressional insiders accurately predicted that the bill would get bogged down and not be voted on until after the July recess.

Initially, the House had stalled by separating the dairy issue and the target issue into two separate pieces of legislation. The House has, however, attached the commodity freeze amendment to an existing bill, H.R.2733, thereby speeding up the legislative process.

A survey of dairy economists published in the April 18 issue of *Feedstuffs* claimed that deductions in milk prices would cut the number of farmers, but would not reduce overall output because improved feeding and management and rigid culling of the herds will increase average production per cow.

Lending institutions in Pennsylvania predicted that upwards of 30 percent of the state's dairymen would leave the industry in the next two years. Wisconsin will probably lose 10 to 15 percent over the next five years, and Minnesota, experts said, will lose 15 to 20 percent of their 26,000 dairymen in the same period.

The dairy economists were most critical of the 50 cent assessment tax that Agriculture Secretary John Block proposed last year, a tax which also cuts the amount of government support a farmer receives on the basis of "overproduciton." This tax, passed last spring, will take two successive 50-cent deductions from dairy government supports for every 100 pounds of milk a farmer produces. The tax was scheduled to go into effect Oct. 1, 1982, but was tied up by court action after a Federal District court in South Carolina issued a preliminary injunction prohibiting the collection of the tax and ordered refunds of money already collected. On June 11, a U.S. Circuit Court of Appeals ruled to proceed with the collection of the tax and to collect the second tax beginning Aug. 1.