

Agriculture by Susan B. Cohen

Dairy to test Reagan farm policy

Calls from the old administration to kill parity are hanging over the new one.

Next to the Soviet embargo, the dairy industry's price-support program may be a major test of the Reagan administration's determination to keep its promises.

The issue was moved to the front burner in early December when the Community Nutrition Institute (CNI), a Ralph Nader consumer front, announced it was suing the U.S. Department of Agriculture for failure to act on CNI's one-year-old administrative petition that the price of reconstituted milk—milk made with water and dry-milk powder—be deregulated. The Carter-Bergland administration has issued a request for comments on the CNI petition, standard procedure in such administrative actions, but may well drop the final decision in the new administration's lap.

If accepted, the CNI petition could open the door to a dismantling of the federal marketing order system on which the milk price-support program is based. The move occurs at a time when a general campaign against the dairy program has been stepped up and demands have been issued to abandon parity and "adjust" the price-support levels downward. Under the existing program the government enforces a "floor" price for milk products at 80 percent of parity that is adjusted semi-annually.

The CNI demand for deregulation of the reconstituted-milk price was seen from the outset as a foot in

the door for dismantling the federal milk-marketing order system that governs milk marketing in the U.S. Yet it is this system which has kept milk flowing to growing numbers of Americans at stable prices for more than 30 years. This was accomplished because the program assures dairy farmers sufficient returns to make the kind of technological improvements that have revolutionized the industry.

In 1950, the average dairy farm supplied milk for approximately 44 consumers. Today it supplies 900 people! Moreover, the dairy industry's efficient production system, coupled with the stability provided by the price-support program, has since 1967 kept dairy-product price increases below those for all other food products and the Consumer Price Index.

CNI's legal move on what it has termed a "burning regulatory reform issue" is designed to trap the incoming Reagan administration in its "free-market" rhetoric. In a Dec. 2 press release announcing the court action, CNI argues that the milk-marketing orders "create an economic barrier to the marketing of milk and milk products." CNI claims that the current price level for reconstituted milk prevents low-income consumers from freely choosing the product.

The deregulation attack is accompanied by a broadside against the price-support side of the dairy program, viewed by most produc-

ers and others as the most single successful farm program. Carter administration "inflation fighter," Alfred Kahn, led the charge last year, and the Government Accounting Office produced a study in July asserting that the existing dairy program leads to "overproduction."

National Milk Producers Federation spokesmen have pointed out, however, that the GAO neglected to include commercial inventories, stocks judged necessary in the trade to meet consumer demand on an ongoing basis, and government stocks net of annual inventory change. A complete picture of the data shows that the dairy support program has in fact aided the industry to deal with the complex production and marketing problems it faces.

And, in attempting to prove that milk production has exceeded consumption in 17 out of the last 20 years by a total of 43.2 billion pounds, the GAO neglected to count approximately 40 billion pounds of milk that never left the farm but was fed to calves.

The Reagan team's response will be watched closely. The Committee to Fight Inflation Group formed by former Federal Reserve Chairman Arthur Burns and other Wall Street figures among the President-elect's advisers, is already on record opposing all federal farm programs. During the November election campaign, Reagan's campaign spokesmen stated that the President-elect "favored" the 80 percent parity price-support program, but refused to pledge its continuation after March 31, when the program's legislative authority expires.