Agriculture by Susan Brady

Dairy's last stand?

Renewed administration efforts to revamp the U.S. program, if carried through, will cripple that vital sector.

On May 5, Secretary of Agriculture John Block announced that he would ask Congress to approve an emergency dairy plan, designed to bring "a balance to the nation's dairy program" by discouraging dairy production by means of an across-the-board reduction in price supports. Block also wants Congress to turn over to him the exclusive discretionary power to set price-support levels in the future.

Existing law mandates an 80 percent of parity (cost of production plus a fair profit) price, at which the government buys cheese, butter, and nonfat dry milk. The Secretary of Agriculture can lower the support price only with the consent of Congress. Block has frozen the minimum price for domestic milk at $12.10/cwt for the past two years, and seeks to extend the freeze to Jan. 1, 1983. Then, assuming that Congress succumbs, he would reduce it to $12/cwt.

Block claims that his freeze policy was already taking effect and farmers were "adjusting" voluntarily. He emphasizes that production figures were already decreasing. "With this initiative coming from the producers themselves, "combined with other features in our emergency plan, I believe we'll see some positive results by Jan. 1."

The Secretary, who has already cut support levels through the freeze to 70 percent of parity, is now leveling a double-barreled gun at dairymen: further cuts now, or elimination of supports later.

For nearly 50 years the federal dairy program has been a model of success. By dismantling supports, the free-marketeers will bury—as was done to the grain program—the vestiges of parity in U.S. agriculture. As a holdout for relatively healthy levels of government price support, the dairy industry has been for years the target of an alliance of Friedmanite obsessives and liberals from operations like Common Cause and the Community Nutrition Institute.

"The existing level has been held for two years," boasted a Block spokesman who is now working on a special USDA study instigated by the Office of Management and the Budget. All indications to date are that this new evaluation of the dairy industry's problems will be a rationale for the proposed cuts.

The dairy people aren't doing very well in the current round either. The free-market madmen have been able to beat the producers around the ears with the bogus argument that by reducing the "oversupply" of milk and milk products, prices would rise because of scarcity, and the government would not have to shell out $1.94 billion in supports. This rationale is touted by Sen. Bob Dole (R-Kansas) in particular and other budget balancers.

Although some elements of the industry realize that price supports are only part of a larger issue, they have been forced to fight a defensive battle on this ground, and each group is trying to cut the others' throats.

The largest dairy federation, for example, is proposing that price supports be put on a two-tier basis, which would link the support price to the amount of production. This has been written into the Milk Marketing Production Act of 1982, which is being pushed by the National Milk Producers Federation (NMPF) and Sen. Roger Jepson among others. According to Block, the NMPF bill would rein in dairy price-support expenditures even faster than his own proposals.

The industry has thus confined itself to offers to tie its own productive hands and "equalize" the sacrifice. Its lobbyists are pessimistic: "Some will go out of business. The cuts will fall most on the young farmer," one told me.

Of course, the dairy "oversupply" disappears if we consider how an expanding economy would mean increasing food consumption both in America and abroad. At home, consumption of dairy products and milk have steadily fallen. The Reagan administration's verbal commitment to encourage exports, while slapping on export controls and maintaining high interest rates, are actually hindering the growth of U.S. exports. If dairy products held by the Commodity Credit Corporation (CCC) were sold at world market prices, though half that of the United States, they would gain more than by the current practice of giving thousands of tons away.

This column was contributed by Cynthia Parsons.