Agriculture by Marcia Merry

Yeutter moves to deregulate milk

Plans to replace Federal Marketing Program with low price, "free trade" could be the last straw for U.S. dairy farmers.

Relative to national and international shortages of dairy products, U.S. milk output is way below the level needed. However, Congress, the Bush administration, and dairy cartel interests are falling all over themselves to launch new policies on farm milk prices, and marketing arrangements that will make matters far worse.

A dairy panel in the House of Representatives voted in early April to boost farm milk prices by a small amount—from $10.10 per 100 pounds of milk, up to $10.60 per hundredweight—for the next five years, and then to empower the U.S. Department of Agriculture to place a tax, called an "assessment," on dairy farmers whenever it is determined that there is "excessive milk production."

The House group defines "excess" in terms of the eventuality of the government having to buy milk fat products exceeding the equivalent of 5 billion pounds of milk a year. About 3.6 pounds of every 100 pounds of milk are fat. Under existing laws, the government supports farm milk prices by buying milk that is not taken up in the commercial market.

The Senate has not yet started action on dairy policy. But if the House panel plan is implemented, dairy farmers would be hard hit. The current parity price for milk (a fair price to cover costs of operation, capitalization, and a modest return to the farmer) is at least $24 per hundredweight. Anything below this price not only affects farmers, but jeopardizes the future milk supply for all consumers.

Agriculture Secretary Clayton Yeutter opposes the House plan, but offers a free market-style plan that is equally bad or worse. The Bush administration proposes that milk support prices be gradually dropped to $9.60 per hundredweight, and then let "market forces" take over.

Criticizing the House panel's approach, Yeutter said, "What this all boils down to are milk quotas and milk taxes—and let me make it perfectly clear that I am opposed to both."

For his part, Yeutter is moving to deregulate the milk market, and create free-for-all conditions in which the big name dairy cartels (Nestlé, the Bronfman/Labatt's dairy chain, Unilever, Kraft, and others) can pay farmers as little as they want, and charge consumers as much as they want, and shove any export customer out of the market altogether at will.

In March, Yeutter called for hearings this fall on the functioning of the Federal Milk Market Order System. This is the first step toward phasing out the current marketing system, and making way for his "free market."

On the sidelines, Yeutter is getting support for his position from a lawsuit in which he has been named as a defendant, which was filed on Jan. 17 in Minneapolis federal court by the Minnesota Milk Producers Association. The suit blames lopsided federal marketing price-rigging for hurting Minnesota farmers, and helping other farmers in other states, pitting farmer against farmer.

The Federal Milk Marketing Order Program in effect today, came about through the Agricultural Marketing Agreement Act of 1937, and amendments since. The program operates by setting terms of marketing milk for a a national system of marketing order districts, that cover over 70% of all the milk marketed in the nation. The purpose is to stabilize marketing conditions for farmers, and to guarantee a continued supply of milk for consumers.

Fluid milk is highly perishable, and varies in output with the season. If used properly, the tools of the Federal Milk Marketing Order Program, and also the federal minimum milk support price, would bring reliability into the milk situation. Instead, federal officials for years have used these and other tools, such as the infamous "Dairy Herd Termination Program," authorized by the 1985 Farm Act, to drive independent family dairy farms out of operation, and to usher in "factory farms" and cartel processors.

In 1989, U.S. milk output fell, along with the fall in world milk output, below even the average consumption needs of recent years. The USDA told Mexico that it would not receive a pre-contracted order for 20 million pounds of U.S. milk powder. The USDA organized the re-purchase of a few million pounds of milk powder from West Germany, that the U.S. had originally exported! All this was done at the bidding of Nestlé and other companies in the chocolate cartel, who wanted the powder to process cocoa for Christmas candy.

At 1989 year end, Yeutter said not to worry; milk output would pick up in the new year.

But the USDA has been forced to revise its milk output projections "downwards" twice this year. At present, milk production is at the same level as last year, namely, not enough.