

Agriculture by Suzanne Rose

Dairy farmers' income plummets

The failure of Congress to allow a milk price increase plays right into the food cartels' game.

On March 22, a House-Senate conference committee failed to pass an emergency request to increase milk prices to the nation's beleaguered dairy farmers, because of the threat of a veto from the Bush administration. The administration claimed that to increase prices to farmers would make milk unaffordable to the consumer.

The fallacy in this was pointed out by Wisconsin's Rep. Steve Gunderson (R), who issued a press release stating that while payments to dairy farmers have declined 15% since 1985, consumer prices for milk products have increased 16%. He said the drop in farm prices, driving dairy farmers out of business, has created milk shortages. This is the real problem for the consumer, as thousands more dairy farms will be bankrupted over the coming months.

Sen. Patrick Leahy (D-Vt.) the chairman of the Senate Agriculture Committee, sponsored the request for an emergency increase in the support price to farmers, whose income has dropped by one-third since last summer. Bush threatened to veto the whole emergency spending bill if the dairy measure were included. Leahy and Jim Jeffords (R-Vt.) wrote a letter to Bush protesting these "strong-arm tactics."

The U.S. Department of Agriculture blames the crisis on "overproduction." This myth underlies the whole government dairy program. The USDA provides dairy products for hunger programs from its federally held stocks, which result from the government being the purchaser of last resort for so-called "surplus"

when dairy processors can't sell milk through commercial channels above a government-set floor price. The current price is \$10.10 per hundred-weight (cwt), less than half of what it costs a farmer to produce milk.

When the government buys over 5 billion pounds annually, it penalizes farmers by reducing the support price, so they will produce less. The government also calls "surplus" the dairy products it must purchase for government programs, such as the military and the school lunch program.

For three years, there have been no dairy stocks of cheese and milk for hunger programs because of market shortages. Dairy distribution to the needy has dropped by 75% since 1985. There is no government requirement for dairy reserve stocks, and none exist.

The so-called dairy lobby in Congress, and the farm groups protesting cutbacks, although sounding more humane, have no serious alternative to the administration's policy. Senator Leahy and others are investigating alternative "supply management" proposals, which purport to pay the dairy farmer by further reducing the milk supply.

One such proposal being promoted by farm organizations and the dairy lobby is the "National Dairy Act of 1991." It sets a "two-tier" pricing system, in which a farmer would be paid \$15-16 per cwt for the amount of milk he produces within a quota. Everything he produces beyond that would be penalized by a much lower price. The farmer's quota would be determined by his past production and

a survey of national needs.

The reality is that milk actually costs somewhere around \$26 per cwt to produce. Additionally, dairy farmers need abundant supplies of low interest credit to recapitalize collapsing dairies which have been looted through low prices since the 1970s. More importantly, setting an artificial quota for milk production when malnourishment among children is one of the major problems facing the world, is criminal.

The cheese cartels such as Kraft, a subsidiary of Phillip Morris, and Beatrice, a subsidiary of ConAgra, and fluid milk processors such as the Labatt's group (part of the Bronfman Seagram's empire) are the ones to blame for underpriced milk and underproduction. Kraft and Beatrice fix the prices paid to dairy farmers at the Green Bay Wisconsin Cheese Exchange and dominate the processing and marketing of cheese. It is they who have maintained the artificially high price of dairy products at the supermarket. Naturally, they are anxious to shape the politically explosive effects of the shortages.

Getting on the "hunger bandwagon," Kraft funded a survey which found that one in every eight children in the United States suffers from hunger. The study is sparking Kraft-funded grass roots "hunger coalitions" which are demanding more federal aid.

More to the point for activists concerned about stopping hunger is to prevent the administration from negotiating international free trade agreements, where government support for pricing and import quotas is eliminated. Under such agreements, the government estimates that dairy prices would drop to \$7 per cwt. U.S. dairy farmers' income would drop \$1 billion per year, in addition to the \$4 billion collapse forecast for this year.