

Dairy farmers, plants agree price system broken

ONGOING CONTROVERSY: Milk producers say latest deduction too high; processors say it's too low

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WASHINGTON — Farmers and the plants that buy their milk do not appear to agree on much these days. But the latest flap over milk prices has them reaching the same conclusion: this country's system for setting how much dairy farmers are paid is hopelessly broken.

The new controversy is over a deduction plants take from farmers' checks to reflect the cost of producing cheese and other manufactured dairy products, which the U.S. Department of Agriculture will boost beginning Sept. 1 — too much, farmers say, and not enough, in milk processors' view.

With the new deduction in place, farmers will receive about 14 cents less for every 100 pounds of milk and perhaps a total of \$156 million less a year nationwide, the National Family Farm Coalition warned. Milk prices paid to farmers typically run between \$15 and \$19 per 100 pounds, but have fallen as low as \$13 and climbed as high as \$21 in the past three or four years.

Earlier this week, the coalition complained to the USDA that the decision deals a "devastating blow" to farmers who already face high operating costs and inadequate prices. And the International Dairy Foods Association called the decision "too little, too late" to help plants it said have been operating at a loss.

Both sides are calling on the USDA to overhaul the milk pricing system, which sets minimum prices farmers must be paid for milk but is also filled with adjustments small and large that take months or years to change in response to market conditions.

Even the term the USDA used to describe its latest

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change — a "tentative partial final decision" — seemed to feed dairy industry groups' frustration.

"This is yet another example of a broken milk pricing system," Connie Tipton, IDFA president and chief executive officer, said in a statement. "Our members must make business decisions every day and can't wait an entire year for a tentative decision that might change again six months or more down the road."

"The entire U.S. milk pricing system is broken and needs to be replaced," said John Bunting, a Delhi dairy farmer, in a farm coalition press release, citing low milk support prices and high costs of production for farmers. "Current policy is anything but 'free-market' oriented right now."

A 60-day public comment period on the proposal concluded Tuesday.

Dairy groups had asked the USDA to make as many as 20 changes in the pricing system. The department rejected most of the suggestions, delayed decisions on others and reached a conclusion on the make allowances, which vary depending on whether a plant makes cheese or butter or some other product.

For cheddar cheese, plants can deduct 20.03 cents per pound, up from 16.82 cents, for instance.

Although the coalition and the IDFA agree that the system needs reform, they are far apart on the shape it should take. The IDFA has called for less government involvement and more flexibility for plants to reduce the amount farmers must be paid. The coalition looks for more government protections and assurances that farmers will be paid something closer to their own costs of production, which the group says approach \$30 per 100 pounds in some cases.

Those debates will play out as the USDA implements the 2008 farm bill, which calls for a commission to study revamping the decades-old milk pricing system.