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A LOOK AT THE MILKY WAY

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Address by Richard D. Aplin, Administrative Assistant Secretary, U. S. Department of Agriculture, before the North Carolina Milk Producers Federation, Salisbury, North Carolina, August 7, 1953, at about 11:30 A.M., EDST.

It is always a pleasure for me to get together with a group of dairy farmers. I was born on a dairy farm -- a farm that has been our family homestead for five generations. A little more than 20 years ago I operated a good-sized dairy farm, and for most of the past 20 years I have been active in milk marketing programs.

So, you see, there must be many things about dairying that appeal to me and I want you to know that I am most happy to be here today at this annual meeting of the North Carolina Milk Producers Federation.

I am sure that my personal knowledge of your situation will be greatly increased as the result of this visit with you.

Some people are inclined to think of the Department of Agriculture in Washington as a kind of "Ivory Tower," where bureaucrats sit in swivel chairs and dream up impractical ideas about just what you should and should not be doing on your farms.

Actually, the Department of Agriculture is taking a realistic, practical, down-to-earth approach to the problems of the American farmer. Our job is to help you increase farming efficiency and to help you improve your markets and your income and we are very serious about it.

Your day-to-day farming activities are influenced more than you perhaps realize by the research and educational activities of the Department. And your own farming problems, in turn, are what guide the Department's activities in a never-ending search for better ways and means of solving them.

Coming down here from Washington I couldn't help but think about how we have speeded up the progress of our country by new ways of doing things -- ways that are better, and which require less time and less waste of human resources.

All of our progress, in industry, in agriculture, and in our standards of living, have been paced by our unending search for new and better tools to do the job that confronts us, and our willingness to accept quickly the new and to discard the outmoded ways.

We have reached a period now with respect to farm programs in which we are looking for better ways of doing the farm job that confronts us.

The big problem we are now facing is how to live with agricultural abundance. Today we have many so-called farm surpluses. Production was at an all-time high last year at the same time that our markets abroad were drying up. In addition, farm prices have been falling for over two years.

These are difficult problems for agriculture to solve. Yet we must solve them, because the welfare of the whole Nation, as well as the welfare of farmers, depends upon a sound, secure, and prosperous agriculture.

The real solution of the farm problem -- the solution we are seeking -- is a balanced relationship between production and distribution. Such a balanced relationship would provide a reasonable degree of price stability and a fair level of income for farm people. It would also provide abundant supplies of food and fiber for consumers and adequate raw materials for industry. But the difficulty is, as you well know, that agriculture, unlike some other types of business, has no "built-in" regulator to balance production and distribution.

Many times I have heard business people remark: "When our inventories get too big, we close them out. If they are still too big we regulate production. Why can't individual farmers do the same thing?"

Well, how would 2 million wheat farmers, or 3½ million corn farmers, go about closing out inventories of wheat and corn all at the same time?

How would 2 million individual dairy farmers go about adjusting production to demand on their own farms?

The production process in agriculture is not mechanical or physical, so that the flow of output can be stepped up or slowed down as quickly as in most industries. Agricultural production is a biological and botanical process which cannot be speeded or retarded in a short time. How do you close down production once a crop has been planted and fertilized? How can you quickly close down production of milk, hogs, cattle, and sheep?

Suppose a business operated with machines that had a time lock on the mechanism so that once you started them up you couldn't shut them off for six months?

Or suppose a business operated with machines that had varied productivity according to the weather -- so that you never really knew how much you would produce with any given number of machines?

Finally, suppose that a manufacturer, or a wholesaler, or retailer for that matter, had very little to say about his prices -- so that the price of his product fluctuated widely without respect to immediate costs of production.

These are fairly close analogies to conditions that farmers face. It is these conditions that have made it necessary for agriculture to seek stabilization of prices, production adjustment, conservation of land and water, and other benefits through various kinds of agricultural programs.

Our farms are currently producing at least two-fifths more food and fiber than before World War II, whereas our population has increased less than one-fourth since 1935. We are producing much more food and fiber with fewer farms and workers and on about the same acreage as before the war. A man-hour of farm work now produces nearly three-fourths more food and fiber than in 1935-39.

This rapid increase in output is a real farming revolution. It was brought about by the widespread use of farm machinery and farm power -- by better breeding and feeding of livestock -- by new varieties of seed and hybrid seed -- by tripled and quadrupled quantities of fertilizer and lime -- by improved bug and weed killers -- by better conservation practices -- and by big demand during the war and postwar periods.

We cannot reverse the revolution in farming, and we would not want to reverse it. Farmers are not willing to give up the advances in technology and convenience they have made. On the contrary, they want further progress. The revolution will continue. Output per acre, per animal, and per man-hour will go on rising. It must, because of economic necessity. Tractors, milking machines, combines, electric power, trucks, and other equipment are a big investment. They have high operating and overhead costs. Agriculture must be productive to make this equipment pay off.

Our basic problem, therefore, is to find methods and programs that will permit a continued expansion of farm productivity and farming efficiency by channeling the increased production into consumer use. Only in this way can we hope to maintain fair and reasonably stable farm prices and farm income.

Now, our present farm programs -- though they have undoubtedly been of great benefit in the past; and in general are still highly useful in the present -- are not adequately meeting the needs of the present period. As our agriculture progresses, our farm programs must also progress. The programs of the 1930's are not fully adapted to the conditions of the 1950's. That is why the new leadership in the Department has been seeking the help of the farmers, farm organizations, and other groups, in cooperation with the Congress, to improve the programs.

We want farm programs that will provide adequate incentives for desirable production adjustments -- incentives for the best use of all farm resources -- incentives for progress in marketing. Above all, we want programs that will help provide an opportunity for farmers to reach and maintain a level of living commensurate with that of other comparable economic groups in this Nation.

We are sure that there is enough brain power and ingenuity among the American people to develop programs of this kind -- programs that will provide for the effective operation of free enterprise, with government helping out where necessary. We are confident that it is possible to find ways to protect farm prices and farm incomes at fair levels without the government taking over immense inventories and without the

Congress annually appropriating huge sums to pay for the purchase and handling of surplus products.

But even as we seek program improvements, we are striving to make the best possible use of the programs that exist. We must. No other alternative makes sense. We have no choice but to apply the available programs as effectively and economically as possible. This is our duty not only to farmers but to all American citizens. Secretary Benson has made it very clear that he means to carry out this responsibility to the full.

Now thus far I have been speaking in rather general terms about the over-all agricultural situation. I have done so because the over-all situation closely affects the welfare of all segments in agriculture -- dairying included.

Our dairy problems are typical of the difficulties facing many elements of our agriculture. You dairy farmers are encountering the price-cost squeeze just as are most other farmers throughout the country. You are facing a problem of what to do with seemingly surplus production -- production that is not being taken off the market by consumers at fair and reasonable prices. You are facing a problem of how to expand the markets for your products, so that you will not need to depend on government programs to keep your head above water.

The problems of the dairy farm enterprise have bulked large in Secretary Benson's mind. As you know, one of his early decisions extended price supports on dairy products at 90 percent of parity for the year ending March 31, 1954. But at the same time he called on the dairy industry to seek, with the utmost diligence, methods that would place the industry on a self-supporting basis.

The dairy farm enterprise is worth about 20 billion dollars. It is one of the Nation's greatest industries. The problems that affect dairy farming are highly important to all our people -- not only because of their effect upon the national economy but also because milk and dairy products play such a vital role in our health and vigor.

Now what has been happening to the dairy industry? In his address before the American Dairy Association last March, the Secretary pointed out that last year our people consumed about 695 pounds of milk per person (much of it in the form of milk/ products of course). That was the lowest per capita consumption on record. It compared with a figure of 824 pounds per capita in 1939.

This means that between 1939 and 1953 dairy farmers and the dairy industry lost a market for 130 pounds of milk per person. If that market could be regained, milk surpluses would become milk scarcities.

In the first five months of this year consumption of milk has shown some increase, and we hope this trend will not only continue but will be accelerated. Nevertheless, we should recognize that we have made no more than a small beginning.

Increased milk consumption would do much to improve the diets of our people. Milk furnishes a greater number of essential nutrients, including vitamins, than any other single food. It is often called the most nearly perfect food. And it is one of the best food bargains. We need to impress these facts upon the American people.

Surveys of city eating habits have shown a need for more calcium in the diets of many persons. And it's not just among the low-income families, either. About 20 percent of city families with middle class or higher incomes had calcium deficient diets. Increased milk consumption could correct that situation, since milk is the principal source of calcium.

Our milk consumption is too low for good nutrition. Even in 1948, when per capita milk consumption was considerably higher than at present, almost thirty percent of all city families were using less than a pint of milk per person per day -- less than 3.5 quarts per person per week. Those totals include milk in the form of cheese, evaporated milk, cream, ice cream, or other dairy products. About 60 percent consumed less than the equivalent of 5 quarts a week, which is still slightly below the average recommended amount in the low-cost food plan of the Department's Bureau of Human Nutrition and Home Economics.

The government now holds more than a quarter billion pounds of butter, plus 200 million pounds of cheese, and 375 million pounds of non-fat dried milk.

These figures seem large. Yet we know that just a little rise in per capita consumption would solve the problem.

Everyone in the dairy industry can join wholeheartedly in the campaign to increase the consumption of milk and dairy products. You can start by drinking more milk yourself. There are about two million farms in this country from which milk is sold. How much difference do you think it would make if each person living on these farms drank one additional glass of milk each day?

Let's do a little arithmetic. It is estimated that about 10 million people live on these milk-producing farms. An extra glass of milk drunk by this number of people each day would take off the market 5 million pounds of milk a day, 150 million pounds a month, and 1.8 billion pounds a year. That much extra milk drunk on dairy farms last year would have kept off the market enough milk to produce about 85 million pounds of butter, or one-third of the government's present stock of butter.

Of course, the main effort will have to be made in the direction of increasing sales of milk and dairy products to the people in this country (about 150 million) who do not live on dairy farms. These folks must be told the story of milk much better and more effectively than we have ever told it to them. Dairy farmers must support, more strongly than they have in the past, programs which promise to help in selling milk and all dairy products. The problem of finding ways and means to balance supplies with commercial sales rests heavily on the industry.

Increased milk consumption would mean much to the health of our people; but it could also mean a great deal to the health of our soil. If consumption of dairy products reached the level desirable for good nutrition, it would make possible a shift from some of the soil-depleting crops in which we are now facing big surpluses, to soil-building grasses and legumes that would preserve and strengthen the fertility of our land. It would mean storing up food reserves in the soil, and at the same time producing health-giving foods for which there is real dietary need.

During my remaining time, I want to follow the suggestion of some of your members and talk about the place and the value of the Federal milk marketing order program. This is a subject of importance to many dairymen, and it is one in which I have long been keenly interested.

The purpose of Federal milk orders is to enable producers to attain greater stability in their market outlets and in the prices they receive for their milk.

Let me give you a thumbnail sketch of the background history of these orders.

In the usual city, as we all know, there are many farmers supplying the market and a relatively few milk dealers. The individual farmer has very little bargaining power in setting the price for his milk. As early as 1910, therefore, producers in a number of markets had joined together in cooperative associations for milk price bargaining purposes.

Although these early associations made progress, they were confronted with many problems inherent in the character of fluid milk production. They also discovered that a handler's ability to pay a given price for milk depended upon whether that handler had an outlet for the milk in fluid use or whether he would have to convert part of it into a storable product. To meet this problem, cooperatives, particularly in the Northeast, evolved a plan for classifying milk for pricing purposes. Under these classified price plans, the procedure was to bargain for the price for Class I milk, the milk which consumers take as fluid milk, at a level sufficiently higher than the price for milk made into storable manufactured dairy products to compensate for the additional costs of producing market milk. Dealers were required to pay this higher Class I price for milk used as fluid milk. Milk which farmers delivered over and above that which the dealer utilized in his Class I business was priced at a lower level equivalent to its value when converted into manufactured dairy products.

Along with the development of classified price plans, the cooperative associations devised schemes for pooling the returns from all handlers to all of their producer members. Thus, the cooperative member was assured a uniform price, regardless

of the handler to whom his milk was delivered.

But in markets where cooperative associations had gained a substantial control of the milk produced for the market, there still remained many individual farmers who marketed their milk outside the agreement made by the cooperative associations. It became evident that milk producers and milk dealers who remained outside of these cooperative bargaining arrangements tended to destroy the effectiveness of the classified pricing methods for selling milk.

In the early 1930's, the cooperative associations sought Federal regulation which would permit them to extend the pricing plan which they had developed to all the dealers in their milk markets. It was at this time that the Secretary of Agriculture received authority to issue marketing agreements and licenses regulating the handling of milk.

At the present time there are 49 marketing areas in the United States in which minimum prices paid by handlers to farmers for milk are regulated by Federal milk orders. Approximately 180,000 farmers deliver about 25 billion pounds of milk annually to handlers who are required to pay them for such milk according to the terms of these Federal orders. Markets under regulation range in size from the metropolitan areas of New York and Chicago to relatively small cities.

Since markets have individual problems due to varying production and marketing conditions, each milk order is tailored to the particular requirements of the local market. However, the basic framework of each order includes the essentials of a classified price plan, a system of minimum prices, a plan for equalizing prices to producers, and provisions relating to the administration of the pricing provisions.

Under the classified price plans, handlers are required to pay for milk purchased from producers, different prices depending on the use made of such milk. Usually fluid milk, and sometimes fluid cream, is placed in Class I, which is normally the highest priced class. Milk which is used to produce such manufactured dairy products as butter, cheese, and evaporated milk is placed in the lower priced classes. A system of minimum class prices is set forth in each order and class prices are modified by price differentials to reflect varying butterfat content. Adjustments

to reflect differences in values at different locations are included in the price plans in orders for markets which draw milk from a wide area.

The total class values of all uses of milk by a handler or all handlers in a market are averaged so that producers receive a uniform price regardless of the use of the milk delivered by a particular farmer. In some markets the use of milk by each handler is averaged individually. These are known as individual handler pools. In orders where the uses of all handlers are averaged into a uniform blended price for the market, the system is called a market-wide pool.

Each of the milk orders is administered by an agent of the Secretary called a "market administrator." The market administrator's principal duty is to determine whether or not handlers are making payments to producers in accordance with the terms and provisions of the order. For that purpose, reports are required of handlers, and the market administrator's staff audits each handler's records to be sure that the full, required payments are made to producers.

Milk orders, and each of the terms and provisions of such an order, or of an amendment to an order, must be based upon facts introduced at a public hearing. At these hearings all interested persons, including producers, milk handlers, and consumers are given an equal opportunity to provide information and opinions regarding the order or any of its terms and the decision of the Secretary is based upon such evidence.

The objective in pricing Class I milk is to create a price to producers which will direct enough milk to the market in the shortest supply period to balance supply and demand for fluid milk. Price is the only method authorized under Federal milk orders to do this balancing job. The Federal order does not limit entry of producers into regulated markets, nor does it control the quantity of milk supplied by producers already on the market. If prices are maintained at too high levels, new producers seek entry into the market and producers already there tend to increase the quantity of milk they deliver. This brings down the average return to producers because the additional milk is paid for only at surplus prices.

Well, those are the basic facts of life as regards milk marketing orders. In summary, they make buying and selling of milk an orderly process on which producers, handlers, and consumers alike can depend. They prevent unnecessary and unpredictable fluctuations in milk prices, and they provide for orderly marketing of surplus milk. They assure accurate weighing, testing, classification, and accounting for milk.

Yet, I would be quick to admit that Federal milk orders are not the answer to all the dairy farmer's marketing problems. That is why it is important that all persons interested in a sound dairy situation should cooperate wholeheartedly in the present efforts to improve the industry's market position.

If we can solve the short-run problems now facing us -- and I am confident we can -- the long-run situation should see tremendous opportunities for market expansion. The growth of our population alone tends to assure a solid future for dairying.

Today we have a national population of 159 million. It is increasing at the rate of about 7 thousand a day, or $2\frac{1}{2}$ million people a year. What a vast market lies before us!

We should be able to make progress in lowering the costs of producing milk as we push forward with grassland improvement, better breeding, and advanced farm management practices in general.

Research should be able to show ways of reducing the cost of marketing milk.

If we all pitch in and do the job adapted to our particular situation and circumstances, I am confident that the milky way can have, and will have, a new and more prosperous look.

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