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Milk shortages loom as schools open; rationing threatened in Georgia

by Marcia Merry

The food shortages that *EIR* has been warning would occur in the United States before year's end are now beginning to hit the supermarkets and the family dinner table. As schools prepared to open in the United States in late August, the reality of milk shortages hit home with a bang. The Georgia secretary of agriculture sent an emergency telegram to U.S. Agriculture Secretary John Block calling for special milk shipments into the state to avert rationing. Five dairies serving Atlanta announced that milk rationing may have to start in September because of the severe production shortfalls in the state, where farm milk output has dropped 25% in one year. The public was warned to expect a 16¢ a gallon rise in milk prices.

Forrest Davenport, executive vice-president of Atlanta Dairies, called the situation "critical." "Hopefully, we won't be in a rationing situation, but given the shortage, we don't know."

The dairy shortages are the first round in a full-scale "food shock of 1984," paralleling the 1973 oil shock. The milk shortages have been brought about not by merely ignorant and incompetent policy makers; they were deliberately planned by the food cartels.

One of the cartel associates, economist Richard Lyng, currently USDA deputy secretary, spoke of the Atlanta milk crisis: "We are a little surprised, however, at the magnitude of the Southeast milk shortage. We weren't expecting such cutbacks in that region when the support program was changed by Congress last year. However, we feel that enough milk will move into the region when the price is high enough to offer that incentive."

The destruction of an industry

The fact that shortages are first hitting the dairy industry is not surprising, since milk herds have the longest cycle of production of all animal protein food supplies. The milk valve can't simply be turned "on and off."

Milk shortages are worst in the Southeastern states, but supply problems have emerged in many parts of the country. Milk output has fallen over the last year in every state but California. As early as July, the Oakhurst Dairy in Portland, Maine, wrote to its customers telling them to "be patient . . . there will be shortages."

The effects of U.S. milk shortages are also being felt abroad. Milk prices in Venezuela doubled Aug. 27, a price rise coordinated through the international dairy cartel companies (Nestles, Unilever, the New Zealand Dairy Board), which support production cutbacks as "good for business."

The milk decline in the United States is the predictable result of the recent government milk-reduction programs, in which the lie was promoted over several years that "overproduction" was depressing dairy farm income, and that underproduction would straighten out "supply and demand."

Last fall, a production tax was levied on dairy farmers, who since then have paid 50¢ for every hundred pounds of milk they market a month. Then in January, the milk "Payment-In-Kind" (PIK) program went into effect, in which farmers who agree to sign up for the plan get $10 for every hundred pounds they do not market for the next 15 months. In other words, the government is paying farmers to kill milk cows. In the last year the national dairy herd has shrunk by over 300,000 cows. In economically depressed regions where the most dairy farmers signed up for the PIK program, milk output has plunged the steepest. In Georgia, for example, 200 out of a total of 1,000 dairy farmers have gone out of operation altogether.

Consumer milk prices are climbing, and will go way above $3.00 a gallon. A spot-check in Atlanta supermarkets recently showed milk on sale for between $1.98 a gallon up to $2.98 a gallon, depending on where the milk came from. Prices are up in North Carolina. Milk is being "imported" into Georgia from Wisconsin, the nation's top dairy state, by interstate tractor trailer, at significant expense.

Shortages will worsen

National milk production is down from 12,273 million pounds last June to 11,832 million pounds this June, and falling rapidly.

- In Georgia, Alabama, and western Florida, milk output is down 14-25%.
- In New England, New York, and New Jersey, there is

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a 4-15% drop in output.

- In eastern Pennsylvania and the mid-Atlantic region, milk output is down 10%.
- In Iowa, southern Illinois, eastern Kansas, and Missouri, milk output is down 9%.
- In Minnesota, milk output is down 9%.

For the first time ever, the national average milk output per cow has begun to fall, as dairy farmers are unable to afford proper feed and herd care.

U.S. Department of Agriculture dairy program spokesmen predict that at year's end, national overall milk output will be down by about 4.5%. The government plans to add on another 50¢ production tax per hundred pounds of milk next April, if "surplus" milk stocks are still going into government purchase storage at that time. Even without the additional tax burden, most dairy farmers are producing now at a loss. A University of Georgia dairy science department study shows that farmers in the southeastern states are losing $1.50 per hundred pounds of milk.

Farmers in the southeastern states are combining into a milk pool to raise their prices to processors. Called the Sunland Farmer Federation, the group covers six states (Louisiana, Mississippi, Florida, Georgia, South Carolina, North Carolina, and eastern Tennessee) and intends to exercise control over 95% of the milk produced in the region. Congressional hearings on milk prices are set for Sept. 19.

Milk now arriving in Florida or Georgia from Wisconsin costs an additional $6.50 per hundredweight for the transportation and handling costs, and an additional mark-up for "give-up" costs of diverting the milk from local processing into out-of-state fluid use. Instead of a national average cost of $12.50 a hundred pounds, the milk costs at least $18.70 on arrival in Georgia or Jacksonville.

Georgia Agriculture Commissioner Tommy Irvin appealed to Secretary Block to "stop this rape of the south"—the shortages, the high cost milk "imports." Virginia State Milk Marketing Board officials say that higher prices to southern dairy farmers will encourage more production, but will take place only six months or more down the road. However, this perspective is wishful thinking, when seen in the context of the general farm crisis.

The 1983 PIK program sent feedgrain costs soaring. Farm credit has been all but turned off this year, and farmland values are plunging. In Minnesota, where milk output is down 9%, the assessed value of the state dairy herd is down by 15%. Cows which could be producing 12,000 to 16,000 pounds of milk a year are being sold to the slaughterhouses for $450 each.

Because of the milk reduction, co-op or independently owned manufacturing and processing plants have been forced to declare Chapter 11 bankruptcy, or to close out or sell out to the domestic cartels—Borden, Kraftco, Beatrice Foods, and others. In Georgia, for example, 100 dairy plants have shut down over the last two years.

The same milk reduction plan is in effect in Western Europe, implemented through a mandatory quota. Shortages of milk for powder have already emerged in Holland and France. Together, the United States and Europe account for 40% of all world milk produced. This will rapidly fall under the cartel program. There are eight more months to go under the U.S. milk "PIK." If this suicidal program is not stopped, the most productive dairy structure ever built in the world will be destroyed.

Top dairy states targeted next

Operations are under way to reduce milk prices in the six top dairy states (New York, Pennsylvania, Michigan, Wisconsin, Minnesota, and California), threatening to gut U.S. dairy output infrastructure irreversibly. These states produce over 54% of national milk output.

There are 60 federal Milk Marketing Order districts in the country, by which milk price levels are set for both farmers and consumers, in order to prevent chaos in food supplies. Milk from each region goes into a regional "pool" and is allocated for 1) processing of daily fresh fluid supplies; and 2) manufacturing of commercial cheese, powder, butter, and other products. Any reserve milk then goes into manufactured products bought by the government for Commodity Credit Corporation (CCC) storage—cheese, butter, and powder. Farmers receive the highest milk price for the fresh milk processing. The rate of CCC stockpiling is now falling drastically. Last June, 1,846.6 million pounds of milk equivalent was manufactured and bought by the government. This June, 706.5 million pounds of milk equivalent was stockpiled. At this time there is no "reserve" milk anywhere on the East Coast going into CCC product storage.

Also under fire are the state milk marketing boards, which also set price levels:

New York: A campaign is under way to pressure the New York State Milk Marketing Board to allow New Jersey milk into the New York City marketing district in the name of "competition," and thus to lower prices to the consumer.

Pennsylvania: Some state milk marketing board officials tried earlier this year to lower milk prices paid to the farmer in the name of "consumer interests." This was defeated. But now this will be introduced in the legislature to mandate the board to cut prices to farmers.

Wisconsin: Board officials are under pressure to cut the price paid for manufactured dairy products, to undercut milk output overall, and to prevent reserve milk from flowing out of the state. In addition, an anti-production act was passed in the state last year, making farmers liable for "animal wastes."

California: The national "consumer lobby" is mobilized to demand reducing milk prices to farmers. GOP Rep. Tom Rich, from western Pennsylvania, sent out a letter complaining: "There is too much production in California. . . . This is causing CCC problems. . . . The evil is the state marketing boards. . . . The farm price must come down."