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STATEMENT BY THE REPRESENTATIVE OF THE UNITED STATES ON 14 OCTOBER 1975

The United States dairy industry is the second most important single source of farm income in the United States. The industry is widely dispersed and has been oriented toward serving the needs of the domestic market.

The two major dairy programmes of the United States Department of Agriculture, i.e., the dairy price support programme and the Federal milk market order programme have as their basic intent the maintenance of sufficient productive capacity within the United States dairy industry. Similarly, the programmes of USDA, the Food and Drug Administration and State and local health authorities responsible for the inspection and grading of milk supplies and dairy products are aimed at assuring the consumer that the dairy products offered for sale are pure and wholesome.

I would like to turn for a moment to the structure of the United States dairy industry. United States milk output the last two years has been about unchanged at 52.5 million metric tons. Production had reached a peak of about 57.5 million metric tons in 1964. Since World War II, the structure of the United States dairy industry has changed markedly. Yields per cow have increased from about 4,800 lb. in 1945 to the current level of over 10,000 lb., thus offsetting the decline in the United States dairy herd from about 25 million to 11 million cows. At the same time the number of farms reporting dairy cows has fallen from slightly under 2 million in 1959 to about 385,000 currently. Most noticeable is the rapid disappearance of small herds. In the last few years, dairy farmers with herds between 30-100 cows accounted for about 57 per cent of United States production. Only about 3.5 per cent of United States producers have herd sizes of over 100 cows but they now produce nearly one-fourth of the United States total milk production.

Economies of size, new technology, expansion to improve incomes, and lack of interest of young people to enter dairy farming are among the very complex set of social and economic forces causing these dramatic changes. Many of these forces still exist and will continue the trend to fewer and larger farms.

Like dairy farming, the United States dairy processing industry has undergone dramatic change. In the past two decades, there has been a rapid decline in the number of plants producing every dairy product except Italian cheese. The number of plants in the smaller size groups has dropped sharply. The larger dairy plants, although accounting for a small percentage of total United States plants, produce a significant proportion of the output. For example, about seven butter plants now account for over 50 per cent of total output and eleven American cheese plants account for about 20 per cent of total American cheese output.

More than three-fourths of the United States milk is sold by farmers through co-operatives. An even higher proportion - about 85 per cent - of the fluid-grade milk is sold by farmers through co-operatives under Federal marketing orders.

These co-operatives bear a high degree of the responsibility for providing processors with milk as it is needed. They procure, assemble and co-ordinate the supply and demand. The co-operatives also provide farm quality control, inter-market transfer and supply management. Performing these functions also has resulted in co-operatives becoming more involved in handling reserve supplies for fluid markets which are processed into manufactured dairy products. This central co-ordination has given rise to much of the increased productivity realized in milk processing and manufacturing. With respect to manufactured products, United States co-operatives produce a major proportion of the butter and the non-fat dry milk and a smaller but growing proportion of the cheese.

One might ask - how did the United States Government become involved in supporting the price of milk and dairy products? As we all know, milk is a bulky and highly perishable product and it must be marketed quickly, either in the fluid form for direct consumption or for processing into manufactured products. Milk production in the United States, as in many countries, is characterized by a seasonal pattern, with production generally much greater during the spring and early summer than in the fall and winter. On the other hand, consumption of fluid milk is relatively constant throughout the year. This seasonal imbalance creates problems in milk pricing and marketing.

The instability of milk prices and the resulting marketing problems in the 1930's led to Government intervention into the market. State milk control agencies were formed. Later Federal laws were passed to provide the authority for Federal milk marketing and class milk pricing.

Today about sixty Federal milk marketing orders cover about 60 per cent of all milk marketed and about 85 per cent of all grade A milk. A key element of milk marketing orders is a class pricing programme which prices milk used for fluid separately from that used to manufacture dairy products. In the case of grade A milk, farmers receive a blend price based on the relative quantities used in fluid or manufacturing. Farmers marketing grade B milk (about 20 per cent of the total) receive only the manufacturing price.

The United States Government price support programme has helped to stabilize milk prices in the United States by providing a floor under prices. Current support prices for dairy products are: butter, 70.75 ¢/lb.; Cheddar cheese, 79.25 ¢/lb.; NFDM, 60.60 ¢/lb. Currently, the law requires the support of manufacturing milk to producers at 75 per cent of parity.

Section 22 of the Agricultural Adjustment Act provides for the establishment of dairy import quotas whenever imports threaten or appear certain to threaten the operation of the domestic price support for dairy products. While the initial dairy product quotas covered a limited number of basic product, it was necessary in the 1960's to expand the coverage due to repeated efforts by various countries to circumvent the established quotas.

In concluding, some countries would have others believe that the United States does not import any dairy products and that the market is virtually closed. In this regard, I would like to point out that during the three year period 1972-74, United States dairy imports amounted to 150,000 metric tons, 330,000 metric tons and 260,000 metric tons respectively. Normal import quotas for all dairy products total about 88,000 metric tons annually. In addition, about 52,000 metric tons of casein and lactose were imported in 1974 and non-quota type cheese imports increased by 63 per cent totalling over 53,000 metric tons.

With that ending our delegation would be happy to try to answer any questions other delegations might have regarding United States dairy policies.