

DAIRY PRODUCTS AND PRICE SUPPORTS

The purchase and removal of dairy products from regular market channels under the program to support prices to producers for milk and butterfat have been in process since early 1949. During 1949 the program was carried out under the Agricultural Act of 1948 which required the support of prices to producers for milk and butterfat at 90 percent of parity.

The authority for the current program is the Agricultural Act of 1949 as amended. Title II, Section 201 of the amended Act provides that "The Secretary is authorized and directed to make available * * * price support to producers for * * * tung nuts, honey, milk, butterfat, and the products of milk and butterfat. The price of whole milk, butterfat, and the products of such commodities, respectively, shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefore as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through loans on, or purchase of, milk and the products of milk and butterfat, and for the period ending March 31, 1956, surplus stocks of dairy products owned by the Commodity Credit Corporation may be disposed of by any methods determined necessary by the Secretary."

Dairy products acquired under the program have been offered for sale in domestic and export outlets to the extent possible without impairing the support program. In addition, Section 416 of the 1949 act, as amended, provides that "in order to prevent waste of commodities acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) to make such commodities available to any Federal Agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials so authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served; and (4) to donate any such food commodities in excess of anticipated disposition under (1), (2), and (3) above to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of the Administration or other appropriate Department or agency of the Federal Government and intergovernmental organizations for use in the assistance of needy persons outside the United States." Section 202 of the Act also provides for the Commodity Credit Corporation to donate dairy products to hospitals of the Veterans' Administration and to military agencies for their increased use over and above the normal market purchases.

Total dairy products purchased under the program since early 1949 through March 31, 1956, were equivalent to 32,852,000,000 pounds of milk (Table 1). The amounts purchased each year ranged about one hundredth of one percent of the total milk production for the marketing year ending March 31, 1952, to 10 percent in 1953-54. The average yearly purchase was less than 4 percent of the average yearly production. Total quantities purchased to this date approximate one-fourth of the total milk production for 1 year.

Table 1.—MILK PRODUCTION AND PRICE SUPPORT PURCHASES, BY PROGRAM YEARS: 1949 TO 1956

Marketing year beginning Apr. 1 except as noted	Milk production	Purchases in million pounds				Total purchases in milk equivalent as percent of total production
		Butter	Cheddar cheese	Nonfat dry milk	Milk equivalent ¹	
	<i>Million pounds</i>					<i>Percent</i>
1949 ²	116,103	114.3	25.5	325.5	2,541	2.2
1950-51 ¹	142,465	127.9	108.9	352.7	3,647	2.6
1951-52.....	114,714	.2	.8	52.6	12	(Z)
1952-53.....	117,050	143.3	75.2	210.4	3,618	3.1
1953-54.....	121,761	380.2	456.0	665.9	12,164	9.9
1954-55.....	121,673	210.5	153.4	523.2	5,744	4.7
1955-56.....	125,180	177.6	157.4	623.7	5,126	4.1

Z Less than 0.5.

¹ Milk equivalent of butter and cheese purchases, fat solids basis (butter X20 and cheese X10). Milk equivalent of nonfat dry milk not included to avoid duplication with butter.

² Calendar year.

³ Data are for 15 months, Jan. 1950 to Mar. 31, 1951.

The total cost of these commodities consists of two items—the purchase price and the carrying charges. The yearly total cost varied from 9 million dollars for the marketing year ending March 31, 1952, to 453 million dollars in 1954 (Table 2). Practically one-half of the total cost over the 7 years was for butter bought while the remaining costs were fairly evenly divided between the purchases of cheese and nonfat dry milk.

Table 2.—COST OF DAIRY PRODUCTS ACQUIRED UNDER PRICE SUPPORTS PROGRAMS, BY YEARS: JAN. 1, 1949, TO MAR. 31, 1956

Item and period	Total purchases	Carrying charges	Total cost
<i>By years:</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Jan. 1, 1949, to Dec. 31, 1949.....	116,795,546.53	7,421,511.68	124,217,058.21
Jan. 1, 1950, to Mar. 31, 1951.....	153,158,486.38	8,894,345.79	162,052,832.17
Apr. 1, 1951, to Mar. 31, 1952.....	8,304,187.03	792,740.54	9,096,927.57
Apr. 1, 1952, to Mar. 31, 1953.....	110,051,769.36	1,337,474.97	111,389,244.33
Apr. 1, 1953, to Mar. 31, 1954.....	432,697,611.01	19,983,351.45	452,680,962.46
Apr. 1, 1954, to Mar. 31, 1955.....	387,416,982.22	42,259,575.29	429,676,557.51
Apr. 1, 1955, to Mar. 31, 1956.....	201,817,946.86	45,353,343.94	247,171,290.80
Total.....	1,410,242,539.39	126,042,343.66	1,536,284,883.05
<i>By product purchased (total, Jan. 1, 1949, to Mar. 31, 1956):</i>			
Butter.....	707,546,704.64	50,175,152.66	757,721,857.30
Cheese.....	343,746,370.94	37,520,211.58	381,266,582.52
Nonfat dry milk.....	352,809,065.51	37,859,015.35	390,668,080.86
Whey.....	6,140,398.30	487,964.07	6,628,362.37
Total.....	1,410,242,539.39	126,042,343.66	1,536,284,883.05

It is a comparatively simple procedure to buy 3 or 4 percent of the dairy products of any 1 year. Its utilization in such a way as not to interfere with the regular flow to market of the remaining 96 or 97 percent of the products creates a problem with no simple solution.

Only limited quantities can usually be sold back to the domestic market or for commercial export without impairing the current support program or seriously depressing foreign markets. Donations or sales at low prices for domestic school lunch and welfare uses, for foreign welfare uses, and for increased military use have been the major outlets for dairy products acquired under the support program.