

Discussion

Question: We have the technology in the U.S. to produce a sterile milk to be stored on the shelf without refrigeration. It baffles me as to why it is not used. I've been to other countries where it is very popular and it would seem to me to be to the benefit of the dairymen to have this product produced by AMPI.

My second question: Is there something we can do or is there a power group that can counteract the government's willingness to allow foreign dairy products into the United States?

Answer: Sterile package first—there are some products that are being sold in sterile packages now, basic cream and a few specialties are examples. Seemingly, we respect Associated Milk; at this stage at any rate, we are not going into bottling. We've only got one bottling plant in the entire mechanism and that's at Enid. The main reason being that if we shipped a billion and a half bucks worth of milk products to retailers and processors, it probably is not a wise idea at the moment to go in there and peddle our own product in competition with them. In fact, we might get our back broken and our profit account hammered down a little bit. Nonetheless, even at the last management conference that I put on in Brownsville about a month ago, I had the retail people and the one thing they counted on was the new packaging to try to get sterile shelf life. So there's pressure here on the buying side which will impinge, I think, on the corporates generally and on brand of processors, and the pressure will go on them for it. The reason for it not being here is that basically we can get along with the system we have for good refrigeration from the milk tank all the way through to the household which does not exist in Europe. I think the inhibitor to the sterile shelf-life milk product has been that we get along cheaper on what we have. My own hunch is that we are going to end up, maybe 10 years from now, with far more sterile packaging than we have now. But I doubt that we are going to do it. It will be the bottlers and the processors who will take that on.

I'm often suspicious that maybe the Teamsters Union likes to suppress that thing so that they can deliver milk.

Answer to second question: Well, I don't think anybody is going to keep imported products out from Europe whether we like it or not. We have generally on the food side about a 2-1/2 billion dollar net benefit in exchange for shipping foods and it is food alone that generates our net balance in trade. We are not really going to get away very well with saying, "All right, kid, you continue to buy 2-1/2 billion dollars more food from us than we buy from you, and now we're going to cut you down to the knuckles on dairy imports." What we are fighting for, and I think it decent and proper, is that we shall not be flooded, on a political basis, with subsidized imports from the surpluses of other people. I don't think that AMPI or anybody else in the dairy industry can legitimately or successfully say, "You're not going to get your product in here, kids, but we're going to get ours into you." Because it will not work, and if we had that kind of a trade balance—they've got the bullets and we haven't got the bullets.

I think it proper that they compete on a fair basis with us. And that includes sanitation and packaging. That includes taking a look at the cheese plants which, if they operated in Minnesota, would be closed by sundown. What we are asking and what we are fighting for without too much luck is that exactly the same requirements that impinge upon the American dairy farmer or on an American dairy processor shall be applied without discrimination of any sort to the people who are exporting to us. I think the USDA, which I have served for 8 or 10 years off and on, is with us because they know something about it. I think that frequently USDA gets its tail beaten by the Treasury and by State, which are the two departments they are closest with. I regret to say that that was even true in the days when the good guys were in office before you ungrateful taxpayers threw us out and put the Nixons in! So, it doesn't seem to have much to do with party, it has something to do with the interest of the State Department and the Treasury Department in the maintenance of what they call good relations and good trade balance in the face of which the interest of an American dairy farmer is not considered very compelling. That is a

far more direct answer than I would have given five years ago when I was working for Mr. Johnson. But it is as honest as I can make it.

Question: I wonder if you can tell me the future of the base plan and whether it is a good thing or a bad thing for the dairy industry?

Answer: When I first went into Washington a long time ago, I learned a device that Joe McCarthy handled exquisitely well when he was senator from Wisconsin. He said, "That's a beautiful question. A man who asks a question like that is obviously fully cognizant of all of the ramifications of a complex industry and the political environment of which it is ensconced. And, I'm even glad that you answered that question. The next question, please."

The base plan exists only in the southern region of AMPI. We do not have it in the mid-states region, we do not have it in the northern regions for good purposes. To be very honest, I think that the base plan has been eroded by the competitive activity riding in under us on it and availing themselves of any increase we get in class one prices, just shading it down a little bit. So, it is very hard to maintain it if you are just a single cooperative despite the volume of business we do. And, therefore, it is under pressure. I don't think we will put it into the north-central region or the mid-states region. I think it will gradually diminish in importance in the South. Now, under present statutes, you could use a market order. If we had market orders so that everybody used the base plan and tried to tailor production to fluid demand, in fluid areas like the South, that would be a very good thing. But so long as the outsiders can ride your coattails and muck you up in the process, you're under adverse pressure all the time. To my knowledge, under the marketing order act there are only two base plans functioning, one's in Georgia and one's in Puget Sound. We have never made an effort to use it in other parts of the country because I don't think our own members would approve it then. So I don't think the base plan really, despite the political attention it gets, is all that important. And, I don't think it is going to remain a major marketing tool in the South, although personally I wish it were possible to do so. Is that a fair answer to you?

Question: You can't find meat there now. You can't buy a piece of real beef in any of those countries (Scandinavian countries). I don't buy beef. The only beef there is a very, very elderly dairy cow who has done her duty and it's pretty lousy stuff. Why can't we get some of our product over to these richer countries instead of worrying about doing something good for Egypt?

Answer: We had some pretty good foreign trade going in meat products and then the OPEC increases in energy came along and one of the first things that happened was that most of these countries put import restrictions on things they considered to be luxury items, and one of them was imported meat coming from the United States; we got knocked out of the box on meat sales, principally to Japan, but also to some countries in Europe. I also suspect that, and I don't know this—maybe somebody knows better than I, that the economic community would only tolerate a minor inflow of U.S. meat into Europe before they put on some non-tariff barriers that would lock us out similar to what they have done with poultry out of the United States and they just recently, I think a week ago, put a countervailing duty on one of our animal products. It looks like a great market and we could probably undersell them over there but I don't think it's practical.

I'll tell you how you sell meat. I am ensconced in holy conubiality, which means I'm married to a very beautiful lady of Austrian origin who operates a large import business in Europe and 95% of it is American stuff including about 12 million cases of citrus juices every year. But meats—right now, this very day, there is a certain hotel chain, whose name you'd recognize, I think, that is dealing with Mrs. Mehren to try to get middle and upper choice beef into the European community, especially in Germany. And the German government has been good enough to go to Bodgotsberg and tell our people in the embassy, yes, you tell Mrs. Mehren who has the supply all lined up and has on occasion shipped choice beef into Europe, yes, she can do it. This is all she's got to do: She has

got to go to all the surplus stocks of old cow beef that the government of Germany has accumulated to keep the price of dairy cows up and she's got to buy that on a bid basis. Then she's got to buy 1.6 lbs. of boned cow beef for every 1.6 lbs. of ribs and loins she brings in from this country and she's got to buy a permit which costs 3 marks 50 per kilo. Three marks 50 is about \$1.60, which means she pays 80¢ a pound premium, then she's got to go buy her government beef, then she's got to find a home to sell that stuff in, and outside of that she is totally free to sell American beef in Germany any day she wants to do it. Does that answer your question?

Question: George, I'm sure you've spent some sleepless nights trying to figure out what the new administration come January is going to do and what our Agriculture Department will be at that time. Do you have any comments on it?

Answer: I think Friendly Bank of America, which has its tentacles in all political, intellectual, academic, social and other activities of this great nation, probably knows more about it than I do. Now, what I've been getting is, from the moment the election was over, people calling up and asking "are you going back into office?" On account of that I am a Democrat and served with four other presidents. And I say no for a lot of reasons, mainly I'm too fine and too decent and too old and, besides, I've been through that rap before and I've had my fill of that stuff. I would say this seriously, that as it seems now to be shaping up and not much has really been said, if we have Fritz Mondale as vice president, Fritz said the other day, "Good Lord, man, I believe in 90% parity since I was four years old." And anybody that's going to be attorney-general or senator from Minnesota, he'd better believe in 90% parity or he's not going to be attorney-general or senator, and Fritz really is there.

My hunch is, and I know what Herman Talmadge thinks and he's one of the few I've talked to, my hunch is that we will revert back perhaps not to the level of support and stabilization that we had in the early days of Mr. Kennedy, but we'll have a substantially greater activity on the part of the national government in stabilizing the grain market of this country and stabilizing the meat and dairy industries and, I think, very much to the benefit of the general public, greater than we had under the Republican administration, and I'm not saying how good or bad and I'm not criticizing my Republican friends or the last administration in any measure. But I think we will go back much more toward the real use of the support system for price floors and price stabilization and a more effective use of market orders in stabilizing returns on the milk side of the livestock trade than we had with those. I think that is a fair assumption. Although I would also say that nobody on the incoming administration thus far has said anything that could be used against them.

Comment: George, Dr. Mehren, was my mentor when I was in school so I really shouldn't take issue with him but I'm going to. You know when Mr. Carter ran he put out a proposal for the agricultural industry. His planks would scare almost anybody. They were to keep thinking about embargoes on exports, set up reserves, raise target prices on loan rates, and possibly put into effect production quotas. Those were five out of the six, I think, I don't remember the sixth one. Some of those may not be practical in the light of harsh politics as he takes office. But one of the things unfortunately that happened shortly before the election is that Ford raised the target prices. Prior to that time, as you go around the world, and I think Dr. Mehren has made it a point to do this, and I certainly did because of our great interest in agricultural finance, prior to the recent raising of target prices, our American farmers were competitive on a nose-to-nose basis for getting any subsidies that a government might offer a producer, but we were competitive on a nose-to-nose basis in every agricultural commodity that is traded significantly, except palm oil. When you raise the target prices, you effectively knock us out of the box on wheat trading globally. Wheat is in surplus, it is beginning to pile up. I think in the last few weeks we have seen a doubling of government-held stocks, farmers putting wheat in under loan, and we are not competitive in the wheat market. Argentina, Australia, and Canada are selling wheat in the United States at about \$10 a ton under what our target price is. So, our great fear, and I speak for many of the agricultural bankers across the country, they have real apprehension as to the level of target prices that will be set. We

simply have to export to survive in this country and if you raise those target prices too high, you don't do a very good job of staying competitive in the world commodity market.

Answer: Let me compliment a former student on that incisive analysis. But, let me also tell you that one of the horrors of having spent 25 years of my life as a professor in this greatest of all universities in California is that 25 or 30 years later you see your students and you're compelled to say to yourself, you don't dare say it out loud, "My, how that guy's gone to pot." And, if he looks like that, I wonder what I look like. But Walter's mind is as sharp as ever. But, you didn't mention raisins and pecans were also not competitive on that and you don't blame price of pork for that, I don't think. Those are weather phenomena. We are not competitive right now in grains for a very simple reason. The Russians had two crop failures, the Chinese had a crop failure, the Indians had a crop failure, the Australian crop went to pot, the Argentinian crop was a failure in 1972-73. And they're very good right now. There's a larger output of grains this year in the whole world than there has been in a long, long time. It's probably a record of all time. That's why there's a surplus. I don't think Mr. Carter or Mr. Mondale or Mr. Bergman, if he puts him in as secretary, are going to be crazy enough to say we'll put supports and target prices at a level that will kill us. But I think he will put price supports at a level which would permit us to have an acceptable level of exports with an acceptable level of acquisition, not as bad as we did in the early Kennedy days, I hope. But I think the route he will take, I think it's a little bit too liberal to say that we're in surplus because of the change in target prices because the target prices are still well under the market.

Question: I'd just like to ask both speakers what effect OPEC price increases have on a short-term basis on both agricultural production and prices? I realize it will have an effect on the profit margin.

Answer: Well, the honest and accurate answer is I don't know, in terms of any specific magnitudes, but very certainly 15% or 20% increase in oil prices would be diffused almost immediately and I suspect it would put 3 or 4% on the general price index within a year. That's a gut feeling and it doesn't have the numbers back of it but, unquestionably, if it's a sufficiently important input in the whole of the American economy and the magnitude of our imports are such that the impact in diffusing through our economy would be massive, then I suspect we'd go another surge toward another outbreak of general inflation.

Comment: Well, the other place it would impact seriously is on the little export of agricultural commodities. Many of the biggest buyers of our agricultural products are heavily dependent on imports of energy to run their emerging economies and even a small increase in the cost of that energy means that something else is cut out, and what they usually get into is strong belt-tightening and they cut out things like automobiles and also imports of foreign foodstuffs. So, it would impact adversely on our ability to merchandise some of this stuff off-shore.

Question: Mr. Minger, I'd like to ask if you can shed some light on Title XII and what effect it's going to have on overseas development in animal technician?

Answer: I'm sorry, would you describe what Title XII is?

Question: This is the one for developing countries particularly trying to help the medium to small-size producer by the State Department of the United States government. You're not up on the script of this?

Answer: I'm not familiar with that. It isn't PL480 you're talking about?

Question: No, it's the new Title XII. Nobody knows where all the funds are going and I'm particularly interested how it's going to affect the animal sector.

Answer: Is that the bill that was recently passed by the House and Senate that concerns farmers grossing less than \$5,000 a year?

Question: Yes.

Answer: I just read that yesterday. For those of you, and I don't know much about it, but the bill is a cosmetic bill that tells the USDA, Secretary of Agriculture, if the Department shall look at small farmers in the United States, make a survey of them, find ways in which they can get better market on trade in ways in which they can alter their cropping systems, including livestock if they

are livestock producers, to increase their net incomes, to increase the quality of their lives, to do all these things. The reason I think the bill is cosmetic is because it says all these glowing things that are supposed to be objective in making all these surveys but it doesn't provide any funding to do any of these things.

Any further questions? I certainly want to thank Dr. Mehren and Mr. Minger for bringing an outside view, the people we're trying to work with; it's a little bit different view from what we hear daily. And we thank you very much.

Dr. Ben Norman Presents Time-Keeping Set to AABP



Dr. Ben Norman checks the time-keeping set which he presented to the AABP.