Dairy Farmers of Ontario is looking at various ways of making charges more equitable

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St. Jacobs - The price of milk will come down if the Dairy Farmers of Ontario marketing board continues to use its current cost-of-production formula.

Board director John Palmer of Norwich said this is one reason why the milk board has the formula under review.

He said the trend to larger herds and milking parlours has lowered the labour involved in producing milk, therefore the cost of production is coming down.

He said one of the things the board is considering is a "marketplace factor" similar to the approach the Canadian Dairy Commission used when it considered its most recent price increase.

"It's too bad we didn't consider that earlier, when the economy was going along really strong" and the public would have presumably been in a better position to accept a price increase, Palmer told an information meeting for dairy farmers in the Waterloo Region here recently.

The Canadian Dairy Commission prices milk that's used to make dairy products, such as butter and cheeses. The provincial boards price fluid milk. Both use cost-of-production formulas.

There was a 2.13 per cent increase to fluid milk prices on Feb. 1, and 3.8 per cent for industrial milk. Palmer said that increase should bring the year-long weighted average price for both types of milk to $61 per hectolitre.

In a question period later, one farmer asked when the board will start offering the largest-volume shippers a reduction on the per-litre cost of transportation.

Palmer said he doubts there will ever be a volume discount, but said the board is considering a "stop charge" for every visit a milk truck pays to a dairy farm. He said there already is a minimum flat-rate stop charge for any pickups of less than 600 litres of milk, "so this is not something entirely new."

Palmer said the proposal for a new fee would reduce some of the inequities between the largest and smallest-volume producers, but said the board does want to retain the philosophy that all producers, no matter where they are farming and how much they are shipping, pay the same transportation rate.

He said it costs up to $5 per hectolitre to pick up milk from some farms in remote areas of Northern Ontario.

A stop charge would cost the largest-volume shippers more because many of them have their milk picked up daily. Most have pickup every second day. If a stop charge comes into effect, some farmers might choose to have their pickups reduced to every third day, Palmer said.

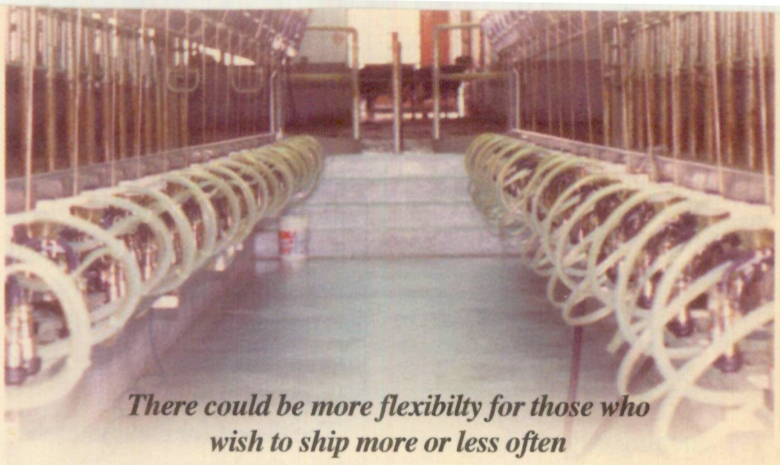
Jim Bearinger spoke against a volume discount and said dairy farmers need to stick together. Supply management will falter if farmers begin to divide this way, he said.

The large-volume producers benefit from having smaller producers in the industry because their higher cost of production holds milk prices higher, providing better profit margins for the large-volume shippers, Bearinger reasoned.

"We need each other," he said.

Palmer said the argument could cut two ways because the larger-volume shippers might get a break on the cost of transporting milk, but might also have to take a lower price for their milk because their cost of production is lower.

But Palmer emphasized several times that the board is not considering a discount on transportation charges for larger-volume shippers.



There could be more flexibilty for those who wish to ship more or less often

He said so many farms are becoming larger that the milk board has reduced its scrutiny of those who are buying more quota. It will be reduced to a check on those who exceed 150 litres per day, and will be reviewed at 100-litre increments.

Palmer said "it's a waste of time" to check more closely. He said there are two farms within his district that exceed 300 litres per day.

Palmer noted that quota prices have come down this spring - $18,501 per litre on the April exchange - and said because there has been about four times as much quota on offer as there have been bids, he expects the price will continue to fall.

There is widespread speculation that the advent of export contracting has reduced the pressure to acquire quota.

Export contracting hit 13,700 litres in March and held above 13,000 litres for April compared with 10,500 in February and less than 5,000 when the exchange began in August.

Export contract volume now exceeds seven per cent of Ontario's milk production.