



Benson and Rep. O'Konski announce plans to dispose of surplus butter

A NEW PLAN to allow the Government to dig its way out from under the avalanche of surplus butter is being proposed by Agriculture Secretary Ezra Taft Benson.

Under the plan, part of the present 302 million pound stock of butter held by the Government would be sold to consumers at reduced prices. Although all the details have not yet been announced, it is understood that the project will not be conducted on a nationwide basis, at least in the beginning. Pilot studies will be conducted first in a few test areas.

Timed with the sale would be an "eat more butter" promotion by USDA. By pointing out the nutritional values in butter, a dairy product, the department believes it can push sales in both metropolitan and rural areas.

Final plans for the project will be announced soon. USDA has been studying several ideas, which it feels will benefit both consumers and taxpayers. One proposal reportedly under consideration would sell surplus butter to distributors at greatly reduced prices. The distributor would have to sell a certain amount of surplus along with new butter stocks. Part of the savings presumably would be passed on to the consumer.

Secretary Benson already has predicted that butter prices will be about eight cents a pound lower when price supports for dairy products are reduced from 90 to 75% of parity on April 1. Any price cuts resulting from the new plan will be in addition to savings brought about by the parity revisions.

Another interesting proposal for disposing of the vast quantities of butter and other surplus foods was made in a recent bill introduced by Rep. Alvin E. O'Konski (R-Wis.). The bill provides that the 5 million people now receiving Social Security assistance payments would get \$10 certificates each month to buy surplus agricultural commodities. The plan, Rep. O'Konski believes,

would provide supplementary benefits for pensioners and at the same time would increase consumption of surpluses.

The bill would authorize the Secretary of Agriculture to determine and announce each month just what commodities are surplus. The criterion for determining surplus is whether supplies exceed demand to such an extent that the market price drops below the parity price.

The Secretary of Health, Education, and Welfare then would issue the food certificates. They would go to State agencies which administer Social Security programs for old-age assistance and aid to dependent children, the blind, and the disabled. The State groups, in turn, would distribute the certificates to eligible persons.

Here's how the system would work. The pensioner would go to a grocery store and select food products that were on the surplus list. These articles would be paid for with the \$10 certificate. The grocer would turn the certificate over to a bank and would receive its full value in cash. The bank would receive payment from Health, Education, and Welfare.

The program would be paid for out of funds made available under Public Law 320 passed in 1935, which provides that 30% of certain tariff receipts are to be employed to find new uses for farm products, stimulate commodity exports, and increase farm income.

The present plan is a modification of a proposal made by Sen. Hubert H. Humphrey (D-Minn.) last year (AG AND FOOD, Aug. 19, 1953, page 709). The O'Konski plan is based on prevailing market prices, while the former plan would set up fixed prices, well under the current market price.

Rep. O'Konski says support for his plan is growing in Congress. He believes the House Agriculture Committee

will hold hearings on the bill in the near future.

Something Must Be Done

Perhaps either the Benson plan or the O'Konski plan will prove to be a practical method of disposing of the surplus butter. If not, it is certain that other methods will be actively sought because the Administration does not exactly look upon its butter stocks as mountains of gold. Caught between pressures from the farmer to keep support prices high and from the consumer to keep food prices low, Republican policy makers may have to take drastic action. There has been considerable grumbling by consumers as the Government's butter hoard grew while retail prices remained high. The Administration realizes that such grumbling could be translated into opposition at the polls unless the situation is remedied.

The Government started buying butter in December 1952 and has been buying it continuously ever since. Through the middle of this month, it had bought more than 457 million pounds. Some of it has been disposed of—about 156 million pounds, leaving nearly 302 million pounds stored in the various "butter Fort Knoxes" throughout the country.

The biggest customers for the surplus butter are the school lunch and related programs, which accounted for more than half the sales. These programs receive the butter free, but the Commodity Credit Corporation is reimbursed for its full value under provisions of Public Law 320.

The next biggest slab of butter is donated directly to such agencies as church welfare groups which distribute it to the needy in Europe, Africa, and the Far East.

A sales program for the U. S. Army accounts for nearly 19 million pounds. The Army buys surplus butter at 15 cents a pound, making it competitive with margarine.

During a brief period last year when butter consumption was higher than production, the Government even was able to unload more than 3.5 million pounds to commercial outlets. The commercial buyer pays a price which reflects the cost to the Government plus a small carrying charge. The price generally runs to about 105% of the original purchase price.

Butter provides only one of the headaches in the dairy products field. Actually there is more cheddar cheese than butter in storage at present. Although the cheese costs only about half as much as butter, there does not seem to be much chance of disposing of the current supply of nearly 313 million pounds. Butter consumption has held firm in the past year or so, but cheese consumption has dropped off by half a pound per person.