CHAPTER 5

Agricultural Monopolies

AN AGRICULTURAL MONOPOLY — that's virtually what farmers have in some parts of Europe. Perhaps we should call it a *public utility*. The program works very much like the franchise that American power and telephone companies have. Let me tell you about one.

Under special laws enacted by the Norwegian parliament, the farmers' milk cooperatives control all the milk in the country. Nearly all the milk in Norway is bought by these cooperatives. Even if you sell your milk to your next door neighbor, you still must pay the cooperative charge. The farmers' organizations are the only ones who own dairies.

In Oslo, the capital and largest city of Norway, I visited the modern dairy plant. It is the only dairy in Oslo. Since the farmers' cooperative is the sole milk distributor in Norway, there is only one dairy in each town. It would be illegal for anyone to start a dairy in competition, just as another telephone company could not build a telephone line into a city already serviced by a company.

Who sets the price of milk? Each year the Department of Agriculture puts out a price for milk. The cooperative can charge less than the government price, but not more. Again, you see, it works very much like American electricity or telephone service.

We have a somewhat similar setup here in the market agreements sponsored by the government. Under these market agreements milk companies negotiate with the farmers' organization for a set price for the milk. These market agreements apply to many of our major milk producing areas.

Up in the mountains and along the rugged fjords I stopped to visit farmers who milked only a few cows. Their milk is made into cheese or butter because they are far from any large cities. They get, however, about the same price for their milk as the dairymen I visited down near the bigger cities.

By law the cooperatives are required to pay the same basic price to everyone, regardless of whether the milk goes into bottles or into cheese and butter, whether it goes to the big cities or to the small towns. There is some justice to this. It costs just about as much to produce milk up in the mountains as it does down near the cities.

It works something like the *blended* price for milk in America — except our price applies only to a certain milkshed area and not to the whole country.

The program was first set up during the depression when milk prices in Norway, as in America, were very low and many dairymen were going out of business. Prices fell drastically as dairies slashed their prices in an attempt to get rid of the milk. Farmers near Oslo were able to get most for milk. Farms in the mountain valleys were sold at sheriff's sales for taxes – for their milk went to cheese and butter factories where prices were even lower.

To help the farmers, the government set up the semi-official farmer-run market board. Today, under the program, farmers belong to eight different milk pools. These pools collect the milk and run the dairies in the nearby towns and villages. They distribute milk from the dairy to the retail stores in the larger cities. The pools, in turn, are controlled by the over-all market board.

Very few dairy products have been exported since the war. But exports, too, are controlled by the farmers' cooperatives.

Most farmers and farm leaders like the *public utility* farmer-owned distribution system. Denmark had a similar one during the war. The organization was set up primarily to sell the large volume of export food, Danish bacon, eggs, butter, and cheese. So the price to the farmers had to follow the export price. It is difficult to set up a long-time program to meet export needs.

In Norway, on the other hand, the market is all within the country and the price bears no relation to world prices. Long-time plans can be made and the market price rigidly controlled.

The Market Board — Pro and Con

Let us look at some of the good points of the market board. The milk marketing organization can keep the price of milk at a reasonable level. The farmer is never forced to sell his milk for less than it cost him to produce it. The government sets the maximum price. The cooperative cannot overcharge the city housewife. Then, too, it levels out the sharp peaks and slumps in prices that may come during the year.

If there is temporarily more milk than the housewife wants, the surplus can be made into butter and cheese. Milk prices will not plummet because of a temporary surplus. If one community does not have enough milk, the cooperative can frequently bring in milk from another community. Norwegian farmers have had better prices for their milk since the program started.

The market board has government sanction, but it is run by the farmers themselves through their cooperative. Planning, buying, and selling are all done by these cooperatives. This, I think, is good.

Now let us look at the other side of the picture. Here in America we like competition. We think competition stimulates better service and technical improvement. Does the housewife lose out in the milk monopoly?

One of the cooperative dairy managers put it this way. "Most people will tell you the present marketing system is very good. It has worked well. But I think in larger cities it would be better if there were competing dairies." I agree with him.

In Oslo I asked the dairy manager if he sold homogenized milk. He said, "No, we have no requests for it."

"But have you ever given the housewife homogenized milk?" I asked him.

"No, we have not, because they have not asked for it."

"But how will they know what homogenized milk is if you don't offer it to them?" And he had no answer to that question.

I feel quite certain that if there were two or three dairies bidding for business, the housewife would get homogenized milk. At least one dairy would put in a homogenizing plant to see if he could sell more than his competitor.

Now I realize that perhaps it isn't so important whether or not the city housewife gets homogenized milk. But I do think it points to the lack of initiative that monopolies develop. No doubt the attractive throw-away cartons and advertising campaigns stimulated by dairy companies in competition have increased the consumption of milk and dairy products here in America.

One of our big headaches in America is overproduction. I asked the officials of the cooperative, "How long could you handle more milk than the people drink?"

They said, "Perhaps a year. The monopoly is not the answer to real milk surpluses."

In the Norwegian fish industry, when surpluses pile up, the fish market board establishes quotas that are enforced by the market board. So far farmers have never been given a milk quota.

The milk monopoly has made money for the farmer because it improved the distribution of milk and made cheese or butter when whole-milk prices were sagging. It has helped the farmers far from the cities by spreading the milk prices and improving transportation of milk. It could not take care of milk surpluses of dairy products for a long time. While in Norway this is not an important problem, in America at times this is one of our big headaches.

The great disadvantage of the milk monopoly, I think, is the continual negotiating with the government over the price it sets for milk, and the lack of stimulating competition that brings with it improvement in service and cheaper production methods.

I would not like to see in this country complete milk monopolies based on the Norwegian plan. I think we have accomplished many of the same benefits by our marketing agreements and blended *prices. Their program does point out, however, that farmers' cooperatives can successfully invade the fields of distribution when companies fail to deliver milk at reasonable prices to the housewife.*