*Argument 9*

*The following appeared in a letter to the editor of a Batavia newspaper.*

*"The department of agriculture in Batavia reports that the number of dairy farms throughout the*

*country is now 25 percent greater than it was 10 years ago. During this same time period,*

*however, the price of milk at the local Excello Food Market has increased from $1.50 to over*

*$3.00 per gallon. To prevent farmers from continuing to receive excessive profits on an*

*apparently increased supply of milk, the Batavia government should begin to regulate retail*

*milk prices. Such regulation is necessary to ensure both lower prices and an adequate supply*

*of milk for consumers."*

This editorial recommends that Batavia's government regulate milk prices because profits from

milk sales are excessive given the apparently adequate supply. The editorial also claims that

price regulation would help ensure an adequate supply of milk. To support these assertions the

author cites the fact that over the past ten years the number of dairy farms in Batavia has

increased by 25% while at ExceUo Food Market milk prices have increased by 100%.

However, the argument relies on a series of unsubstantiated assumptions, which render it

unconvincing as it stands.

First of all, the author assumes that ExceUo's milk prices reflect those throughout Batavia.

However, the author provides no evidence that this is the case. To the extent that Excello's

milk prices currently exceed nationwide averages the author's argument for government

regulation of milk prices would be undermined.

In the second place, even if ExceUo's milk prices reflect those in Batavia generally, in

claiming that milk prices are particularly "excessive" the author assumes that milk-sale profits

exceed profits from the sale of other goods in Batavia to a significant degree. But the author

provides no evidence to substantiate this assumption. Perhaps other prices have risen

commensurably, or perhaps even more on a percentage basis, during the same t/me period.

Moreover, perhaps profit margins from the sale of other goods are even greater than profits

from milk sales. In either event the author could not justifiably rely on the mere fact that milk

prices have increased by 100% to support the claim that milk sale profits are excessive.

In the third place, the author assumes that an increase in milk prices results in increased

profits. However, this is not necessarily the case. It is entirely possible that the costs

associated with producing and delivering milk have increased as well over the last ten years.

Thus the strength of the author's claim of excessive milk-sale profits depends on a cost-benefit

analysis that the author does not provide.

In the fourth place, based on the fact that the number of dairy farms has increased the

author infers that the supply of milk has also increased. However, this is not necessarily the

case. It is possible that dairy farm production has shifted away from milk to other dairy

products, and that the supply of milk has actually declined over this time period. To the extent

that this is the case, then the author's supply-and-demand argument that milk prices are

excessive is unconvincing.

Finally, in asserting that price regulation would help ensure an adequate supply of milk the

author overlooks the possibility that milk producers would respond to the regulation by

producing less milk, depending on the extent to which demand increases as a result of lower

milk prices. If regulation has the effect of lowering profits, then common sense tells me that

milk producers might be less inclined to produce milk. Without ruling out this possible scenario,

the author cannot convince me that the recommendation would help ensure an adequate

supply of milk.

In conclusion, the recommendation for regulation of milk prices is not well supported. To

convince me that the proposed regulation is needed to ensure a reasonably priced milk supply,

the author must provide clear statistical evidence that Excello's milk prices reflect nationwide

milk prices and that profits from milk sales are in fact excessive. To better evaluate the

recommendation, I would need more information about how the proposed regulation would

effect both the supply of milk and the demand for milk in Batavia.