



October 2009

## Annual Meeting set for Nov. 16-18

### Dairy issues on annual meeting agenda

The current state of the dairy industry will be among the topics covered at the 2009 Cooperative Network Annual Meeting, scheduled for November 16-18 at the Sheraton in Bloomington, Minn. Cooperative leaders attending the annual meeting will hear about different directions the dairy industry could travel, when speakers tackle the pros and cons of a mandatory, government-run supply-management plan.

Presenters include Larry Tande, president, Holstein Association USA, which has been advocating such a plan since the spring of 2009, and Bill Bruins, president of the Wisconsin Farm Bureau Federation, who will counter Tande's argument and advocate for supply and demand and the free market.

Scott Brown, of the Food and Agricultural Policy Research Institute at the University of Missouri, will discuss the positive milk price impact of Cooperatives Working Together, a voluntary plan that takes cows out of production and assists in exporting of dairy products. Cooperative Network members will have the opportunity to ask questions and discuss which direction they want the dairy industry of the Upper Midwest to go.

## Cooperative Network advocates for dairy producers

Wisconsin's Department of Agriculture, Trade and Consumer Protection (DATCP) recently solicited ideas on ways to improve the situation for Wisconsin's distressed dairy producers. While milk prices paid to farmers are governed by federal rather than state policies, Cooperative Network said the Wisconsin Legislature can help producers on the cost of production by holding the line on property taxes and reducing or eliminating costly and, in many cases duplicative, regulatory programs.

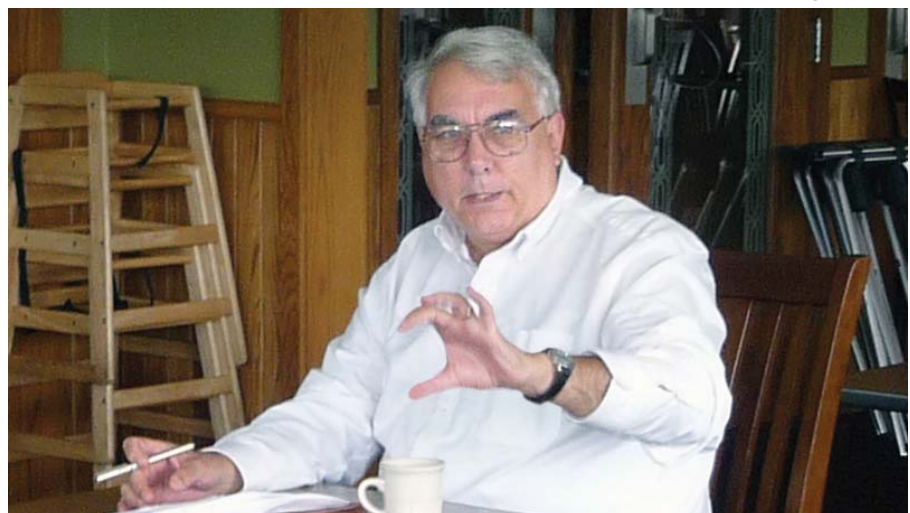
Two such programs are the Agricultural Producer Security Program (APS) and Agricultural Chemical Cleanup Program (ACCP). Moreover, the dollars raised by these programs are often not used for their intended purposes and are diverted to fund other state programs.

Among the things Cooperative Network has proposed is a one-year fee holiday for the APS program, which

would help decrease the cost of doing business for dairy cooperatives in Wisconsin. The APS program is designed to assist Wisconsin dairy, grain, and vegetable farmers in the event of bankruptcy by the processor or cooperative that purchases the product. Processors and cooperatives pay into the fund administered by DATCP. The APS fund is currently in good shape with a \$10.2 million overall fund balance, more than \$7 million of which is attributed to milk contractor payments. Since 2001, only \$130,000 from the APS has been paid out to producers due to bankruptcies by processors.

Cooperative Network has also asked Wisconsin legislators for a one-year fee holiday for the ACCP program. The ACCP charges producers a fee when they purchase agriculture fertilizer (\$0.44/ton) and pesticides. The money collected by DATCP primarily supports reimbursements for spills or discharges

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David Jenkins, director of commercialization and market development at Wisconsin's Office of Energy Independence, explains opportunities for dairy cooperative processors to receive assistance for energy efficiency projects from the American Recovery and Reinvestment Act (see "Stimulus money available" on page 2.). Jenkins spoke to Cooperative Network's Dairy Legislative and Regulatory committee on August 17.

## Cooperative Network advocates for dairy producers

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of fertilizers and non-household pesticides at commercial fertilizer blending facilities, commercial pesticide application businesses, and farm sites. Cooperative Network is concerned that the ACCP has become prime a target for the department and Legislature to take money from the fund and use it for other purposes. According to the Legislative Fiscal Bureau, since the 1999-2001 biennium \$3.766 million has been transferred from the fund and used for other purposes. The \$3.766 million are dollars paid by farmers to be used for a specific purpose that end up not being used for that purpose.

Meanwhile, cooperatives in Wisconsin have been supportive of their member owners in many ways without government help. Several dairy cooperatives are accelerating the payments of patronage and equity to get needed

dollars in members' hands, and one cooperative board decided to return \$1.7 million directly to its members. In an effort to reduce supply, another cooperative purchased cheese and donated it to local food pantries. In addition, many Cooperative Network member cooperatives voluntarily participate in "Cooperatives Working Together" (CWT). CWT has removed nearly 1.5 billion pounds of milk from the market and more than 74,000 cows from production in 2009.

With more than 80 percent of the milk produced in Wisconsin marketed through cooperatives and nearly 60 percent of Wisconsin's cheese made by cooperatives, Cooperative Network will remain deeply involved in milk pricing and related issues that have a profound impact on members and the rural Wisconsin communities they serve.

## Cooperative Network concerned about phosphorus rule

Wisconsin's Department of Natural Resources (DNR) is in the process of writing tougher rules on phosphorus discharge from point sources such as wastewater treatment plants. Cooperative Network is concerned that these new rules will impact cooperative cheese plants. Many cheese plants discharge waste into municipal treatment systems. With DNR's tougher proposed limits on phosphorus, municipalities will either restrict sources of phosphorus from their customers or charge more for the treatment of waste from food processors. These new rules would reduce the allowable discharge of phosphorus from 1.0 milligram per liter (mg/l) to 0.11 mg/l or less. If implemented, the proposed rule will be extremely costly to Wisconsin businesses and local governments. Wisconsin already has

in place stringent water quality-based effluent limits for phosphorus, this proposed rule will provide little in the way of environmental benefits. Cooperative Network and others have asked Department of Administration (DOA) Secretary Michael Morgan to direct the DNR to perform an economic impact report to assess the effect the proposed phosphorus rule would have on various sectors and the economy.

## Stimulus money available

Cooperative Network's Dairy Legislative and Regulatory Committee members recently heard from David Jenkins, director of commercialization and market development at Wisconsin's Office of Energy Independence. Jenkins told committee members that Wisconsin is going to get \$55.2 million in American Recovery and Reinvestment Act dollars for energy efficiency projects and that Wisconsin's dairy processors could qualify for the federal stimulus money for such projects. The \$55.2 million will be evenly split into tax credits, grants and loans, and loan guarantees. Jenkins explained that \$5 million has been earmarked for cheese plants in Wisconsin to be used on projects that save or generate energy. The program will be administered by the Department of Commerce.

## Minnesota LIG program applications due Nov. 30

The Minnesota Department of Agriculture (MDA) is now accepting Livestock Investment Grant (LIG) applications. The LIG program helps livestock producers offset the costs of improving or expanding their operations. Qualifying producers are reimbursed 10 percent of the first \$500,000 of investment, with a minimum investment of \$4,000. The grants will be awarded competitively through an evaluation committee.

Cooperative Network was an early advocate for the creation of the Livestock Investment Grant program. During the 2007-08 legislative session, after many years of work by Minnesota's dairy cooperative leaders, farm organizations, and the dairy and livestock industries, the Minnesota Legislature passed the LIG Program and provided \$1 million in funding for the grants. According to the MDA, 576 producers applied for the LIG in 2008, the first year the program was available. With the dollars that MDA had to work with, the agency was able to fund 38 of the 576 grant applications received.

Cooperative Network successfully advocated for funding in this year's Minnesota state budget. Despite tough budgetary times, funding for the program was not cut and the Minnesota Legislature approved \$1 million for the grants. Applications for the grant funds will be accepted through Nov. 30. For more information on the LIG go to: <http://www.mda.state.mn.us/grants/grants/livestockinvestment.htm>.

## Calendar of events

**Oct. 28**—Minnesota Dairy Committee Meeting, Kelly Inn, St. Cloud, Minn.

**Nov. 16-18**—Cooperative Network Annual Meeting, Sheraton, Bloomington, Minn.

**Feb. 18**—Minnesota Co-op Day at the Capitol, St. Paul, Minn.

**March 2**—Dairy Day at the Capitol, St. Paul, Minn.

**April 6-7**—Dairy Policy and Dairy Directors Leadership Conference, Plaza Inn and Suites, Eau Claire, Wis.

Cooperative  
Network

## Dairy Update

Dairy Update is a quarterly newsletter to provide timely information on matters pertaining to Cooperative Network's dairy member-owned cooperatives.

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