



Dairy co-op leaders decline to support supply plan

Cooperative Network Dairy Committee members and members of the Midwest Dairy Coalition met in Eau Claire, Wis., to discuss Holstein Association USA's Dairy Price Stabilization Program. John Meyer, CEO of Holstein Association USA, said the recent low prices and volatility of milk prices have made it difficult for dairy producers and processors to manage the unpredictability of dairy markets. Meyer said if no action is taken, the future economic status of the dairy industry nationwide is in jeopardy.

Previously, the board of directors of Holstein Association USA enlisted Dr. Robert Cropp, professor emeritus, UW-Madison, to discuss possible solutions with the board. The results of these discussions are the draft of Holstein Association USA's Dairy Price Stabilization Program.

Meyer explained to the cooperative leaders present that the Dairy Price Stabilization Program is designed to prevent severely depressed producer milk prices, reduce the volatility of dairy product

prices and producer milk prices, complement and not replace other existing dairy programs such as the federal dairy price support program and the Milk Income Loss Contract (MILC) Program, and be a long-run dairy program for seven years with a five-year review.

The program would be mandatory and each producer would be assigned an initial base of raw milk marketings from April 1, 2008, through March 30, 2009. The base will be assigned to the producer owning the dairy operation; bases cannot be sold but can be transferred to someone who takes over the dairy operation on the existing dairy facility.

Once the producer's base is established, he/she must maintain his/her milk marketings by quarter within the allowable marketings. Those who produce below their allowable milk marketings will not be impacted and they will maintain their base. Dairy producers who wish to expand their operations and exceed the

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Vilsack visits Wisconsin; discusses dairy woes

President Obama's secretary of agriculture, Tom Vilsack, visited the La Crosse Interstate Fair in West Salem, Wis., on July 16. Cooperative Network's David Ward and other dairy leaders from Wisconsin had the opportunity to discuss distressed dairy prices with Secretary Vilsack. Farmers Cooperative Supply & Shipping General Manager Monte Wick (a former Cooperative Network board member) hosted the meeting. Secretary Vilsack, who was accompanied by Wisconsin Governor Jim Doyle and Department of Agriculture, Trade, and Consumer Protection Secretary Rod Nilsestuen, outlined six steps he has initiated since being named to his position to improve the dairy price situation. They are:

1. Removed \$200 million of nonfat dry milk (NFD) from government storage and used it for nutrition programs and other food aid programs.

2. The Milk Income Loss Contract (MILC) Program has made more than \$1 billion in direct payments to producers.

3. The Dairy Export Incentive Program (DEIP) will be extended from July 1, 2009, through June 30, 2010. The program helps U.S. dairy exporters and encourages the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries.

4. Sec. Vilsack has instructed FSA to restructure distressed loans it has made to producers and to work with private lending institutions that are part of USDA's loan guarantee program to do the same.

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Members of the Cooperative Network Dairy Committee and the Midwest Dairy Coalition met in Eau Claire, Wis., on June 5 to discuss Holstein Association USA's Dairy Price Stabilization Program with John Meyer, Holstein Association USA CEO. Pictured L to R: Neil Gulden, AMPI; Steve Etko, Midwest Dairy Coalition; Paul Toft, AMPI; and David Cooper, Family Dairies USA.

Dairy leaders decline to support plan

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set allowable milk marketings will be assessed a “market access fee” per hundredweight on their total milk marketed. This fee will initially be in the range of \$2 to \$3 per hundredweight on all milk marketed.

Cooperative Network Dairy Committee and Midwest Dairy Coalition members spent much of the afternoon discussing the program and declined to endorse the plan. Concerns about the plan centered around three issues:

1. Why have a domestic supply management plan to constrain domestic production when we have no control over imports? Could this lead to more imports of dairy products and have a negative impact on prices?

2. The market access fee should be imposed only on the over-base amount instead of the entire production of the operation exceeding the base. There was a concern that applying the market access fee to an operation’s entire production for one year would encourage farmers to make a large expansion all at once. This would spread the market access fee over a larger number of cows and would be for one year as opposed to making small year-by-year increases.

3. State government in Minnesota and Wisconsin has taken steps to encourage increases in milk production, and those in attendance felt that this program could reverse the increases that have occurred.

Cooperative Network Dairy Com-

mittee and Midwest Dairy Coalition members felt that even if changes were made to address the concerns they still would have a difficult time supporting the plan.

State budgets recapped

Minnesota legislators left St. Paul with a \$2.7 billion gap between revenues and spending. Governor Pawlenty announced he would sign all the spending bills and achieve the necessary \$2.7 billion in budget reductions by using a process known as unallotment. According to Governor Pawlenty’s web site, the largest of his reductions was K-12 education, which was cut \$1.7 billion. Cooperative Network has advocated for funding for the Livestock Investment Grant (LIG) program. Even with the tough economic times the LIG program stayed in the budget. Another program Cooperative Network advocated for did not fare as well. Funding for the Dairy Development and Profitability Enhancement Program was reduced from slightly over \$2 million to \$1.54 million for the biennium.

Wisconsin legislators faced a near \$7 billion budget deficit. Because of the deficit 2009 was not the year to advocate for new programs or expand existing programs that help Wisconsin’s cooperative community. Instead Cooperative Network played defense and worked successfully to keep harmful items to cooperatives and the dairy industry from being part of the 2009-11 Wisconsin biennial budget. These items included the Oil Gross Receipts Tax, changes to Use Value Assessment, CAFO fees, and changes to Joint and Several Liability.

Vilsack visits with dairy leaders

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5. Sec. Vilsack is exploring options to raise the Dairy Price Support program with Congress but it’s unclear how this

would be impacted by the Congressional Pay as You Go (PAYGO) rule that requires federal agencies to pay for new spending within their own budgets.

6. To remove the dramatic swings in milk prices, Sec. Vilsack will be convening a Price Stabilization Commission made up of industry experts. They will look into addressing the situations similar to the current one: A year ago the milk price was at a record high, but today it is at half that level.

Sec. Vilsack addressed the concerns of those in attendance, including the future use of antibiotics in animal agriculture, USDA research at the University of Wisconsin, alternative energy’s impact on agriculture, and climate change legislation.

Co-op leaders discuss new challenges for dairy industry

Each summer the Cooperative Network Dairy Committee splits into a Minnesota group and a Wisconsin group to focus on the recently completed legislative sessions in each state as well as work on dairy resolutions that impact the dairy industry solely in their respective states. The Minnesota group held a conference call to discuss resolutions and will meet later this summer. The Wisconsin group met on July 21 in Black River Falls. Cooperative Network staff reviewed the recently passed Wisconsin state budget and explained how Cooperative Network defeated the oil tax provision that was introduced by Governor Jim Doyle.

Dairy leaders identified issues of concern to their industry at the Dairy Policy and Dairy Directors’ Leadership Conference in April. One such issue was the growing shortage of large-animal veterinarians. At their July meeting, the Wisconsin members of the dairy committee heard from State Rep. Gary Tauchen (R-Bonduel) and Kim Brown Pokorny of the Wisconsin Veterinary Medical Association on the issue. According to Pokorny, most vet school graduates finish school with \$100,000 in student loans. She then outlined what a number of states (including Minnesota) are doing to help students financially in exchange for practicing large-animal veterinary medicine in underserved areas. Rep. Tauchen discussed potential legislation that would help vet school graduates with these costs. Tauchen told committee members that the state’s financial situation may delay the passage of the bill.

Committee members reviewed the Cooperative Network resolutions that dealt with dairy issues and made minor changes including a resolution dealing with Wisconsin’s shortage of large-animal veterinarians. These changes will be taken up by Cooperative Network’s Government Affairs Committee, board of directors, and finally by the delegates at Cooperative Network’s annual meeting.

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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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