

What to do ...

Great urgency and fear course through the U.S. dairy farming community. Our milk pricing and milk marketing systems are fatally cracked. Failure to return an adequate price to dairy farmers, when consumers pay so dearly for dairy products at the supermarket, is the intended consequence of failed systems.

Are you going to sit there and bellow like a starved cow? What to do?

*** Ban MPC use in human foods.** Imports of Milk Protein Concentrates are the primary cause creating “surplus” nonfat dry milk and extra cheese. MPCs have never passed Food and Drug Administration’s (FDA) required “GRAS” (Generally Recognized as Safe”) tests. So why not have FDA immediately ban MPCs from use in human foods, until the required safety tests have been carefully conducted and properly reviewed.

*** USDA should create an emergency floor price of \$17 per cwt. for Class I purposes until April 1, 2010, unless market forces move the Class I price higher.** That move would floor Class I prices at a fair level during this emergency.

*** USDA should immediately remove on an emergency basis any negative “other solids” calculations from the monthly Class III prices.** Why dock farmers’ milk prices for that foolishness?

*** USDA should immediately follow the law and adjust regional farm milk prices (through the federal orders) to account for costs of production.** It’s the law (Section 608 (c) 18). USDA has historically refused to honor this mandate from Congress.

*** USDA should completely revise the methods used to calculate Class III milk prices, using a measure that includes prices charged consumers for retail cheese.** The “disconnect” between consumer prices and farmer prices (for Class III – cheese) milk has never been greater. National Agricultural Statistics Service (NASS) prices track almost exactly with CME prices (factoring in a two-week lag). NASS is basically using a “veterinary thermometer” (albeit properly placed) when measuring the “temperature” of cheese markets. The REAL MARKET for Cheddar is what consumers are paying, not CME’s contrived, low-ball prices.

*** The Commodities Futures Trading Commission should immediately review CME cash dairy trading for potential manipulations relating to firms/individuals attempting to favorably resolve their personal dairy futures/options positions.** Wake up, CFTC. Do your job.

*** The Antitrust Division of the U.S. Department of Justice should immediately launch a three-month criminal probe of dairy competitive practices, taking public and private testimony on a regional basis.** The Obama administration owes farmers and consumers an honestly-competitive dairy industry.

But these are all government actions. Am I dreaming to imagine that government, in these desperate hours, may care? Meanwhile ... what can dairy producers do?

*** Be open-minded and fair about proposals to restrict U.S. farm milk output.** Production restraints may be necessary. But they should be regional, flexible, allow for new producers to start, and not put monetary value on pieces of paper allowing individual producers to make milk. Such proposals may move fast, but must be carefully considered.

*** Admit that our major dairy co-ops have failed their mandate to enhance producers’ well-being and be open-minded to joining new dairy groups that raise a ruckus.** No specific suggestions ... yet!

*** Put a halt to hauling costs/stop charges**

associated with any milk sold to the Class I (fluid) market. Those sales are locked-in demand. Profits of the major fluid processors indicate that they can afford to pay the freight. When times change, farmers should go back after half the hauling costs associated with sales of other classes of milk.

*** Take some milk off the market by feeding bull calves.** In my opinion, some of the greatest gains in the second half of 2009 will be seen in beef animals. The commercial cattle industry projects its smallest number of calvings since 1951. Beef animal prices should surge in the third or fourth quarter of 2009.

For the life of me, I have never seen such a inequitable mess in dairy in my lifetime. If the U.S. dairy producer sector collapses financially, many of the assets of dairy processors won’t be worth much, either.

Milk strikes? Some folks are touting that tool. But milk withholding actions would only work if



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they occur in months when milk supplies are tighter, early in the month, and early in the week. No milk strike has worked since 1916.