

## Good Ideas/Bad Ideas

U.S. dairy producers are headed over the cliff. For dairy producers to survive, we need a substantial redefinition and refocusing of industry/government programs. Ideas are flying around ... some for the better, some for the worse. Trouble is: the vested interests of certain big parties in dairy are so powerful that they don't want to change the "business as usual" that is driving us to ruin. In great part, the needed rescue mission is an effort to save dairy from certain of its own organizations and leaders.

Let me sort among the proposals, trying to separate good ideas from otherwise.

**Establish a system of farm milk production restraints.** GOOD IDEA, BUT ... the devil is in the details. Without a handle on production, it will be impossible to get a handle on price. How to achieve production restraint? Are Canadian-style farm milk quotas the answer? The Holstein Assn. USA is working on legislative proposals for a federal program of farm milk bases. As presently perceived, that program would entail a "rolling base" of 12 months, with penalties assessed on "overbase" volumes. In my opinion, some form of production restraint is necessary. Holstein's marching orders require keeping the program simple and politically do-able. Trouble is: will the Holstein plan, when finalized, include enough teeth to really make farms say ouch if they're boosting production.

To work well, a farm milk quota system, in my opinion, needs: regional flexibility, ability to attract new producers without entrance penalties, and to avoid the Canadian-style monetization of quota that makes it so tough to enter. We don't need Canadian-style quotas where the value of the piece of paper to sell the cow's milk is worth more than the cow.

**Dairy cull incentive program.** Maybe the simplest, best idea I've heard. Wisconsin dairy farmer Donald Ley is a man with a plan, pushing an idea for a federal check-off from milk checks, overseen by USDA's Farm Services Agency, to create a bonus paid to dairy farmers for cull cows during times when a marketing board perceives that extra dairy cows should move to market. Ley proposes a stiff assessment, which is an initial turn-off. But when posed as an insurance program of "twenty-something" cents per cow per day, Ley's idea has merit.

**Have USDA develop emergency credit pro-**

**grams for dairy.** ABSOLUTELY NEEDED. Dairy lenders are in a panic. Lenders look at the losses and equity erosion, and they're retrenching. Without available capital, dairy farming will get even tougher. Over time, of course, we need higher milk prices, and higher net margins, to repay borrowed money.

**Mandate higher national fluid milk solids (protein, milk fat) to California's standards.** VERY BAD IDEA. The Jersey breed association is pushing for mandatory, higher federal fluid milk standards – raising milk fat and solid-not-fat levels to California's higher standards. First of all, I think we should check to make sure current, fat/non-fat solids are being enforced, before raising the ante. Yes, California has higher solids standards. No, nobody can tell if those standards actually raise fluid milk consumption, because of all the illegal aliens in California, nobody can say what *per capita* consumption really is!

Watch out! In California, dairy farmers pay 80% of the costs of higher-solids, through a draw on the producer revenue pool under that state's complicated milk pricing system. Such a measure would require big investment in milk condensing facilities, and could be a tool used by dairy co-ops to strong-arm processors.

**Milk Protein Concentrate crackdown.** ABSOLUTELY NECESSARY. Massive quantities of MPCs invade our shores. Some processors use cheap, imported MPCs in Cheddar cheese vats to boost yields. This illegal practice displaces American farm milk at great cost to our dairy farmers (see story on page 7). MPC has never been approved as a legal food ingredient, under FDA's food safety rules. MPC has no standard of identity.

**Dairy Antitrust crackdown.** ABSOLUTELY NECESSARY. Our industry has devolved to a game: Grand Larceny Dairy. The powerful processors and big co-ops try to outdo each other, to determine which may steal and hide more money. Competition in dairy has been thoroughly abused. We need tough federal antitrust intervention.

**Buy hamburger.** GOOD IDEA. Credit the Wisconsin Farmers Union with this one. The ranks of the needy are swelling. A federal program to buy



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hamburger for hunger/nutrition programs would be wise to floor prices paid for beef animals and dairy culls/steers. This program needn't discriminate between dairy and beef farmers. Good hamburger is good hamburger, regardless of the color of the animal it came from.

**Apply promotion tax to dairy imports.** VERY BAD IDEA. The political trade-offs achieved by National Milk Producers for this proposal, now in the rule-making stage at USDA, are shocking. U.S. dairy promotion interests would not be allowed to promote "U.S." or "state" identity dairy products. Importers would be assessed at half the rate of U.S. dairy production. And importers will be able to get their assessments returned at the end of the year.

**USDA to buy dairy products for distribution to hunger programs.** GOOD IDEA, IF ... As with buying hamburger, USDA's programs for hunger/nutrition would benefit from some dairy products. However, let's be assured that these products are 100% U.S. dairy ingredients. Proposals to sell the government processed cheeses must take into account all the imported dairy proteins (MPCs) and milk fat now used in processed cheeses. If we're going to feed our nation's hungry, we might as well be sure it's 100% U.S.-produced food products that those in need are enjoying.

**Export our way out of this mess.** VERY BAD IDEA. The whole structural failure of "globalism" is belief that exports are a source of long-term benefits for dairy. Export-based economies are structurally unsound, because of the vagaries of international demand, lower-costs in some major competitors, and fluctuations in U.S. currencies. U.S. dairy marketers (specifically, the co-ops and their milk powder cartel, DairyAmerica) have proven uniquely incompetent at gauging global market trends and optimizing the value of exported dairy goods for the benefit of dairy farmers.

**Federalize CWT program.** VERY, VERY BAD IDEA. National Milk Producers Federation now wants to dump its "Cooperatives Working Together" program onto Uncle Sam. U.S. taxpayers have swallowed some really bad deals in the past year, but they don't need this one. Where's a full audit of CWT? Do we want Uncle Sam in the "herd killing" business? Where's PETA when you need them?

**"Free hauling" for Class I (fluid) milk.** VERY GOOD IDEA. No farmer should have to pay milk hauling charges, or stop charges, for milk sold to fluid processors. If the demand weren't there, the processor wouldn't order the raw milk. Larger marketers can pool their total marketings of milk and reduce overall hauling costs charged to producers by making fluid milk processors pay full costs for delivering raw milk to the fluid plants' intakes.

The optimist would look at the U.S. dairy industry and remark about what wonderful opportunities for needed, substantive change exist.