$2,680,255: DMI's Retired CEO Gallagher's '21 Compensation

by Pete Hardin

Tom Gallagher, the long-term CEO of Dairy Management, Inc. (DMI), exited his tenure in late 2021 in grand style. Gallagher pulled in $2,680,255 in total compensation for 2021.

Hard to believe that an employee of a private non-profit organization, which derives most of its annual income from of a USDA-mandated commodity promotion program, could be so enriched by dairy farmers' promotion checkoff dollars.

According to DMI's IRS Form 990 filing for 2021, here's a breakdown of Gallagher's compensation:

Base compensation $612,504
Bonus & incentive compensation $18,000
Other reportable compensation $731,601
Retirement &other ....
deferred compensation $1,302,679
Nontaxable benefits $15,471
TOTAL $2,680,255

Important to note: None of the "Other reportable compensation" was covered in prior years' Form 990 reports.

The retirement compensation enjoyed by Gallagher in 2021 continued DMI's largesse extended to top executives. Years ago, two executives enjoyed about half a million dollars in single-year additions to their pension holdings. In 2016, when DMI's pension program was failing, DMI's board authorized borrowing $22 million to cover that shortfall. Undoubtedly, CEO Gallagher was a prime beneficiary of that pension program bailout, which used dairy farmer checkoff dollars to fill that hole.

Other DMI top executives' compensation for 2021, totaled:

Gregory D. Miller $588,886
Barbara O'Brien $804,571
Elizabeth Engleman $566,438
Krysta Harden $529,813
Quinton Bailey $471,634
Caleb Harper $444,883
Jean Ragalie-Carr $434,361

Important to note: Internal Revenue Service rules for non-profit organizations specify that executives' compensation must be in alignment with similar non-profits. Gallagher's total compensation package of $2,680,255 for 2020 certainly dramatically exceeds any annual compensation ever received by any other executive of any agricultural commodity promotion program overseen by USDA.

Vil$ack Pulled in $912,642 as USDEC CEO in '20

In 2020, his final year as CEO of the United States Dairy Export Council, Tom Vil$ack enjoyed compensation totaling $912,642. From memory, that figure does not square with the $700,000-plus compensation that Vil$ack testified to during his confirmation hearings in early 2021 for his nomination to serve again as the nation's Secretary of Agriculture.

That $912,642 in total compensation for Vilsack falls about $80,000 short of his best compensation atop USDEC. That $912,642 figure does not include nearly $200,000 Vil$ack pulled in during 2020 shilling for Purdue Pharma – an opioid drug manufacturer.

According to Dairy Management, Inc.'s IRS Form 990 for 2020, Vil$ack received the following compensation:

Base Compensation $824,000
Bonus & incentive compensation $0
Other reportable compensation $0
Retirement & other
deferred compensation $28,500
Nontaxable benefits $2,084
TOTAL $912,642

Food Processors See Skyrocketing Ingredients Costs

by Pete Hardin

Food manufacturers' personnel are in a state of shock, staggering from 2023 price quotes for many basic ingredients used in food processing. These cost increases, and others, foretell that this nation's food inflation is only just beginning.

Blame Mother Nature for adverse weather curtailing certain crops' production. Beet sugar, plus some fruits and vegetables, are prime examples of shortage-driven agriculture products pushing up costs. The sugar beet industry in 2022 faced its second consecutive disappointing year. Due to disappointing sugar content of beets during both 2021 and 2022, domestically produced sugar supplies are tight and increasingly expensive. Supply contracts are being broken, citing "*Force Majuere*" clauses ("Act of God").

A product as basic as mayonnaise is a prime example of food inflation. Supermarket prices for mayo have nearly doubled in recent months. Blame high egg prices, due to the double-whammy of higher grain prices and the avian flu epidemic again driving down output and forcing slaughter of commercial poultry flocks.

Here's a quick summary of other selected cost increases facing food processors:

• Soybean derivatives' costs are generally up 100% (or more).

• Corn-derived ingredients' costs are rising 20-50%.

• Plant-derived starch costs are increasing over a wide range. But some specialty plant starch ingredients' costs are up 100% or more.

• One co-op manager related that in late summer/early fall, his firm was faced with a 500% increase in the costs for a stabilizer for high-fat, Ultra-High Temperature processed dairy products. The firm selected an alternative.

Food processors are responding by boosting prices and seeking cheaper ingredient inputs, when and where possible. High-fat dairy products and ingredients are being replaced with more stabilizers and alternate materials. (See article, page 12, regarding Prairie Farms' inclusion of soybean oil in its Heavy Whipping Cream as one example of "dumbing down" ingredients.)

Add to these ingredients costs the higher costs for packaging – particularly paper and glass products. Mercifully, plastic packaging materials have come down a bit from recent peaks – a function of lower global oil and natural gas prices.

And of course, there are the usual headaches involving labor costs and availability.

In summary, costs for ingredients and food additives are "out of control," a well-informed source reports. In the bigger picture, *The Milkweed's* sources explain that food retailers have generally failed to pass through many of their inflated costs to shoppers to date. However, that situation will change – in the face of even higher costs for selected food products. Supermarket margins' are generally thin, and do not allow for continued absorption of increased costs.

Correction:

Last month, *The Milkweed* had an error in the caption accompanying Paris Reidhead's story about low Mississippi River water levels impairing the ability of barge traffic to deliver normal supplies of fertilizer upriver from the port facilities at that river's mouth.

Correctly stated, the caption for that picture should have stated that Jeff Cassim is general manager of Liquid Products Fertilizer Company, based in Waterloo, New York. Sorry, Jeff!

That picture's caption incorrectly stated that Cassim was with the Heim Fertilizer Company.

November '22 Class III Milk Price at $21.01 – Down 80¢

Predictably, the prices for all three manufacturing Classes of milk regulated by USDA's federal milk orders fell in November, compared to the prior month's values.

These declines were predictable, based on key dairy commodities' prices going down. The biggest erosion was for Grade A butter.

November's Class III (cheese) milk dropped to $21.01/cwt. for farm milk testing 3.5% milk fat. That's an $0.80/cwt. fall from October's Class III value. (All Class prices quoted here are for 3.5% milk fat content.)

Based upon the continued seasonal strength of butter prices, Class II (cultured products) and Class IV (butter-powder) milk remained above Class III during November. Class II milk was at $24.67/cwt., down $1.06/cwt. from October's value. And Class IV finished November at $23.30/cwt. – down $1.66/cwt. from the prior month's butter-powder milk price.

The USDA's Agricultural Marketing Service calculates the monthly manufacturing Class milk prices using the monthly averages of weekly surveys for manufacturers' sales volumes and prices for dairy commodities. Those commodities include: Grade A butter, Grade A nonfat dry milk, Cheddar cheese, and dry whey.

For November 2022, USDA used the following product prices in the formulas for calculating the manufacturing Classes of milk:

Butterfat .... $3.372/lb.
Protein .... $2.5374/lb.
Nonfat Solids .... $1.3233/lb.
Other Solids .... $0.2837/lb.

For the weekly surveys conducted during November 2022, nonfat dry milk and whey were the significant decliners among the major dairy commodities. Ahead? Watch the markets …

PRICES PER POUND	September '22	October '22	November '22	October-November Difference
Butter	$3.1156	$3.1911	$2.9560	-23.51¢/lb.
Nonfat Dry Milk	$1.5803	$1.5819	$1.5045	-7.74¢/lb.
Cheddar Cheese	$1.9503	$2.1560	$2.0897	-6.63¢/lb.
Dry Whey	$0.4902	$0.4857	$0.4745	-1.12¢/lb.

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National Dairy Promotion Checkoff Has Strayed Far from Mission

by Pete Hardin

The 1983 federal law that created the National Dairy Promotion and Research Board specifically defined that entity's mission: To promote the consumption of dairy products produced in the United States.

Since that 15-cent per hundredweight deduct started in early 1984, untold billions of dollars have been extracted from dairy producers' milk checks to supposedly promote dairy product consumption. Currently, the mandatory national dairy promotion checkoff generates about $330 million annually.

That mission was somewhat altered in federal farm law sometime after 2000, when the phrase "produced in the United States" was removed. Why that removal? The dairy promotion "bozos" sought to tap dairy imports with a promotion fee. But when that import fee was ultimately imposed, it equaled only half of the 15-cent assessment paid by U.S. dairy farmers. And importers could claim return of their promotion fees paid at the end of a given calendar year.

Half an assessment on dairy imports? Reimbursing importers' promotion fees, upon request? Those modest gains seem a poor trade for giving up the dairy promotion checkoff's mandate to champion domestic dairy products consumption.

But shucking the mandate to promote only domestic dairy products is only one example of how the national dairy promotion bureaucracy has strayed from its legal charter. In summary, it's hard to grasp how certain spending of tens upon tens of millions of dollars of national dairy promotion checkoff revenue has anything to do with expanding demand for dairy products … domestic or imported. The following are some brief examples of the dairy checkoff's "mission creep" away from its legal mandate:

2016: $22 million bailout of failing pension program

In October 2016, Dairy Management, Inc. (DMI) borrowed $22 million to cover a shortfall in the failing pension program that covered several dairy promotion groups that were operating with national checkoff funds. The $22 million loan came from CoBank (the National Bank for Cooperatives) and carried a 3.9% interest rate. That loan was paid off in 2021.

The question that should be asked: Why were dairy promotion checkoff funds used to bail out promotion groups' failing pension program? That $22 million expenditure had nothing to do with promoting dairy product consumption.

The $22 million pension bail out was only one source of pension program abuse at DMI. Some DMI personnel gained clearly excessive contributions to their individual pensions. Examples:

• In 2010, DMI's Jeanette Temple received $572,092 contributions to her personal retirement account – even though she only worked 10 months that year, leaving in October.

• In 2010, DMI Vice President Julian Toney's pension account raked in $483,883.

• Led by Temple's and Toney's spectacular pension contributions, DMI's eight highest-paid executives averaged $263,057 in pension program contributions in 2010. That data is obtained from DMI's IRS Form 990 for 2010.

(Note: 2010 was one of the most financially difficult years ever for U.S. dairy farmers, who surely would have benefited by more funds to promote the sale and consumption of their products bankrolled by checkoff dollars.)

F.A.R.M. program's dictates …

About a dozen years ago, DMI starting funding the Farmers Assuring Responsible Management program (acronym: F.A.R.M.) F.A.R.M. consistently has received $2 to $3 million annually from DMI. F.A.R.M. is outsourced, run by the National Milk Producers Federation.

F.A.R.M. started out as an industry effort to instruct dairy farmers on how to voluntarily better manage their livestock. While dictating practices to enhance dairy cows' health, F.A.R.M. conveniently failed to de-list use of Monsanto's recombinant bovine growth hormone (rbGH, or rbST). The veterinary advisory label for that drug listed over a dozen and a half negative health problems for cows injected with that veterinary drug. F.A.R.M. has evolved far from its origins. Nowadays, most U.S. dairy farmers must comply with F.A.R.M. dictates on a variety of farming practices, in order not to lose their milk markets. Under the guise of protecting the industry from embarrassing incidents of animal use, F.A.R.M. has become a dictator of dairy farmer subservience. Some dairy farmers have actually lost their milk markets and had to sell their milk cows, due to alleged failed compliance with F.A.R.M. dictates.

Of late, F.A.R.M. is venturing into environmental monitoring of dairy farms' carbon footprints. (See below.) This area is rife with dictates and short on common logic. F.A.R.M. is tied into other dairy checkoff funded efforts to push carbon credits trading. Such schemes are generally perceived as a selective benefit for dairy producers milking several thousand cows, or more.

The F.A.R.M. vortex continues to suck harder, forcing compliance by producers. In 2023, F.A.R.M. will start inspecting housing provided for dairy farm employees. How does that issue have anything to do with selling more dairy products? Inspecting dairy farm employees' housing is a controversial stretch.

To conclude: F.A.R.M. is funded by dairy checkoff dollars. But that program has ZERO to do with boosting dairy product consumption. Instead, F.A.R.M.'s dictates have actually been used in some instances to put dairy farmers out of business.

The "Carbon Credits" scam

For more than a decade, DMI has been hand-in-glove with USDA Secretary Tom Vil$ack promoting supposed "environmentally beneficial" practices for dairy farmers. Vil$ack and DMI signed a "Memorandum of Understanding" less than a week before Vil$ack's speech in late 2009 at a global environmental summit. At that event, Vil$ack proposed to install methane digesters on all U.S. dairy farmers with 1,000 or more cows.

Diverting untold millions of dairy checkoff dollars to promote methane digesters has nothing to do with selling more dairy products. DMI has annually funded, through its adjunct Innovation Center for Dairy, up to $2 to $3 million dedicated towards enhancing the development of methane digesters on U.S. dairy farms. (Methane digesters produce methane from ruminant wastes that decompose in an oxygen-free environment. The resulting methane is either burned or diverted into natural gas pipelines. Methane is a greenhouse gas that's deemed over 20 times more harmful than Carbon Dioxide. Every pound of methane burned produces 2.7 pounds of CO_2. Methane molecules have a 12-year lifespan in the atmosphere. CO_2 molecules remain in the Earth's atmosphere for about five years, before cycling into the ocean and needing over 100 years for assimilation.

The big "pot of gold" for methane digesters focuses on trading carbon credits. Carbon credits trading entails firms with "good" environmental practices selling their "credits" to firms that must offset bad environmental practices. The best comparison for "carbon credits" would be the Indulgences offered by the Roman Catholic Church in the Middle Ages – "sin remediation" … if you will.

White House to champion carbon credits …

With Vil$sack helping lead the charge, the Biden administration proposes to heavily subsidize construction of methane digesters on livestock and poultry farms. In sync, DMI and its offshoots are promoting methane digesters as "another revenue stream" for dairy farms. Of course, those dairies must have at least 3,000 milk cows (or more) to gain federal subsidies – and several million dollars, each — to construct methane digesters. DMI's decade-plus of championing methane digesters is strictly designed to benefit dairy farming's biggest players.

Looking ahead to 2023, with a Republican majority in the House of Representatives, carbon credits are evolving as THE principal default position for environmental policies of the politically hamstrung Biden administration. At the recent global environmental summit in Egypt, United States climate envoy John Kerry proposed a massive carbon credits system "… to speed the transition from dirty to clean power …." The Associated Press further reported:

"But the idea faced stiff resistance from environmental groups and climate experts, who said it would give polluters a license to keep polluting. It [Kerry's statement] came a day after the United Nations warned about shady carbon credits that businesses count on to meet their net-zero targets."

Vil$ack and DMI have perfected a hand-in-glove relationship. During the Trump administration (between his stints atop USDA), Vil$ack camped out as head of the United States Dairy Export Council (primarily funded by dairy promotion checkoff dollars). It was during Vil$ack's first term atop the USDA that DMI's blatantly excessive pension payouts occurred. One year at USDEC, Vil$ack pulled in a total of $992,000 in combined salary and various benefits. In 2020, VilSack gained $912,642 in total compensation from USDEC.

Limited Posilac® Still Being Marketed and Used

by Rick North

Posilac© (rbST or rbGH) in the United States is still allowed by the FDA and sold by Union Agener, its current Brazilian owner. But use of Posilac© is minimal – a seeming small blip on the national dairy scene.

Almost nobody wants milk from dairy herds injected with that milk-stimulating, synthetic hormone drug. From its inception in 1994, many consumers said "Not in my milk" to a genetically-engineered drug that could harm cows and increase health risks in people. All organic brands banned it and companies such as Ben & Jerry's, Oakhurst Dairy and BelGioioso refused to use it.

Oregon Physicians for Social Responsibility launched its opposition campaign in 2003, expanding to a nationwide coalition with Consumers Union, Food and Water Watch, Health Care Without Harm and other organizations. Such opposition spurred a significant growth in demand for rbGH-free products. Dozens of local, regional and national brands, including Tillamook cheese, Kroger milk, and Dannon and Yoplait yogurt, got the message. Those firms prohibited Posilac© use and labeled their products rbGH- or rbST-free to inform consumers and increase sales.

Most farmers didn't need to be convinced. The National Animal Health Monitoring System's Dairy 2002 report found that only 15% of U.S. farmers were using Posilac, predominantly larger-sized dairies. Costs and animal health problems were cited as the main reasons for shunning the hormone, or dropping its use after an initial trial.

A California-based dairy expert with extensive knowledge concerning Posilac noted, "Producers did not like the extra shots, they did not like the uneven responses after the shots … and they really did not like the nasty pricing … the stuff was very, very expensive. Even 25 years ago, uptake of Posilac© in California was really low. Degraded cow survivability and increased mastitis make the Posilac model a no-go."

Dairy extension agents across the country described a similar landscape. Penn State's Amber Yutzy maintained that "milk shipped to a cooperative cannot use rbST per cooperative rules. It started with one cooperative . . . and others quickly followed suit. I have not seen the product in years."

The University of Wisconsin's Nigel Cook observed that Posilac's use is "virtually zero. It was eliminated from the supply chain when a purchaser of whey byproducts eliminated rbST use from its supply chain in 2016 . . . so the major Wisconsin milk buyers, Foremost, Saputo and Grande, quickly complied."

In the South, Albert DeVries of the University of Florida said "I believe rbST is not used in Florida. Producers cannot sell milk from cows treated with rbST." Jennifer Spencer at Texas A&M added, "To my knowledge rbST is not common on dairies anymore as public perception has pushed its use out of the industry."

Some farmers, of course, will sign a pledge not to use it, but secretly shoot up. Monsanto sold Posilac to Elanco in 2008, which in turn sold it to Union Agener, (which did not respond to several requests for comment), in 2018. Apparently, the original manufacturers didn't want it any more either.

Rick North is the former executive vice president of the Oregon American Cancer Society and retired project director of Oregon Physicians for Social Responsibility's safe food program.