

Will DFA's Pending Financial Fiasco Hit Dairy Marketing Services?

by Pete Hardin

What is the financial linkage between Dairy Farmers of America and its clone, Dairy Marketing Services (DMS)? Will DFA's financial woes be terminal for DMS? DMS was formed in mid-1999 by DFA and Dairylea Co-op to jointly market milk in the Northeast. Since that time, DMS has evolved coast-to-coast, from Maine to California. DMS now markets the farm milk from many hundreds of so-called, "independent" producers who do not belong to a cooperative.

DMS took a devious route to gaining control of independent producers' milk. Many of these independent producers chose not to join a dairy co-op. In the Northeast, for example, numerous fluid processors have turned over a portion or all of their entire farm milk supplies to DMS. A list of those handlers includes: Farmland Dairies, H. P. Hood, Cumberland Farms, Garelick's, Tuscan-Lehigh, Friendship Dairies, Marcus Dairies, and many other processors. In early 2003, Dean Foods – the nation's largest fluid milk processor – dumped all of its 2,500 (or so) independent dairy farmers over to DMS.

DMS and DFA are joined from the hips to the lips. DMS personnel are paid by DFA's payroll department. DMS personnel get their health insurance and retirement programs through DFA. DFA-owned laboratories test DMS' raw milk samples for quality and components. DMS personnel are trained to deny their employer's DFA ties. A few years ago, a DMS field person denied she worked for DFA and an angry farmer demanded to see the registration of her company-owned vehicle. Sure enough ... the truck was registered to DFA!

In February 2003, *The Milkweed* reproduced two milk checks – one issued to a DFA member by DFA, the other paid to an "independent" producer shipping to Garelick's – both checks were issued from the same bank account! Sorry folks, but when the creditors come to seize funds in bank accounts, they won't give a bleep whether DMS funds are in those same accounts.

DFA's dire financial predicament means that dairy farmers and milk haulers doing business with DMS must ask some tough financial questions and demand clear-cut answers.

Those questions include:

- * Does DMS operate independently from DFA?
- * Does DMS have a separate financial audit?
- * What is the end of DMS' financial year?
- * Please provide copies of the two most recent years' DMS financial audits.
- * Are the funds paid for my milk/hauling services coming from separate bank accounts, or are those funds issued from a DFA bank account? (Note: answers to this question may vary from region to region.)

The FINAL WORD!

In summer 2001, DMS took over marketing of milk from Garelick Farms' producers in New England and eastern New York. New Hampshire's then-Agriculture Commissioner Steven Taylor sought answers from DMS that related to the state's milk producer payment security program. New Hampshire requires farm milk buyers to post security to cover any losses to producers in the event of a handler's financial failure.

It had been publicly announced that DMS – not DFA – would take over marketing milk for the "independent" Garelick producers in New England. DMS applied for the milk producer security application. But when the payment check came into the NH ag department, the check was from DFA! Commissioner Taylor wanted to know why. After protracted delays, DMS official Brad Keating wrote Taylor on November 7, 2001:

"In terms of the Garelick independents, from a technical/legal standpoint, Dairy Farmers of America is purchasing the milk from Garelick independent farms. That is why we had the bond furnished by Dairy Farmers of America."

DMS and DFA: joined from the hips to the lips ... for better or worse.