

The Milkweed



Dairy's best information and insights

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Needed: New Practices and Policies, Not Bigger Band-Aids

by Pete Hardin

Having lost several dollars per hundredweight on just about every hundred pounds of milk they've produced so far in 2009, the equities, assets, cash flows and emotional strength of America's dairy farmers are just about depleted. Government (bureaucrats and politicians) has been very slow to recognize the rural dairy Depression.

So far, proposals to improve the dairy situation look like bigger "Band-Aids" that won't slow the bleeding or treat the milk price disease, including:

- * Loans to dairy farmers – proposed by USDA Secretary Vilsack. (Dairy farmers need income, not loans.)

- * Doubling the Milk Income Loss Contracts – proposed by New York's U.S. Senator Kirsten Gillibrand (D). (Too little, not available to many producers.)

- * Raising the USDA milk support prices for dairy commodities by a few cents per pound – from National Milk Producers Federation. (Farmers need dollars, not nickels.)

- * Killing more dairy cows – again, NMPF. (The Cooperatives Working Together program is a sick joke. Numerous dairy farmers paid to kill their herds simply bought more animals and never missed a milking.)

Affixing Band-Aids to a failed system won't work.

Needed: both old tools and new tools

An innovative package of "old" and "new" tools is necessary to honestly improve milk pricing/marketing and put an adequate price in dairy farmers' milk checks. Goodness knows, the money is in the market place, when we look at prices paid by consumers for dairy products in the supermarkets. We need:

Emergency Class I base of \$18-19/cwt. USDA should declare a milk price emergency and install a six-month, minimum Class I price mover (floor) of \$18-19/cwt., to which regional fluid milk differentials would be added. Additional monthly revenues generated should be shared equally among all dairy producers (except those based in Califor-

nia) whose milk is pooled on federal milk orders. Short-term, I estimate this move would generate about \$1.50-2.00/cwt. Let California's state milk pricing system take similar actions.

Invoke 608 (c) 18 powers. The USDA Secretary has the power to adjust regional milk prices, based on grain costs, under section 608 (c) 18 of the laws creating federal milk orders. 608 (c) 18 can be used to achieve the "Emergency Class I base" cited in the above paragraph.

Emergency USDA purchases of hamburger. Shouldn't matter what color the hide of cows may be, or whether they're dairy or beef animals. USDA should immediately purchase large quantities of hamburger for domestic hunger/nutrition programs, in order ease downward pricing pressures in beef markets, due to the big slug of dairy animals that's likely headed to slaughter this fall and early winter.

Use REAL federal Antitrust oversight on dairy. I could write an encyclopedia on dairy industry practices and events that stifle competition – depriving farmers of honest prices and ripping off consumers' expenditures for dairy products. It's time for the Obama administration to get cracking on dairy antitrust oversight.

Energize the CFTC to investigate dairy cash market trading irregularities at the Chicago Mercantile Exchange (CME). The new head of the Commodities Futures Trading Commission claims he's hot to expand his agency's oversight into commodity trading irregularities. No better place to start than dairy.

Dairy producers should pay ZERO hauling/stop charges for milk sold to Class I (fluid) processors. We see Dean Foods making spectacular profits – by holding up prices charged buyers of packaged fluid milk. Fluid processors like Dean Foods wouldn't order farm milk without reasonable assurance of sales. Let the Class I buyers pay 100% of all costs associated with getting the milk to their plants. Big dairy co-ops need a mega-dose of supplemental testosterone.

"Compact" Issue This Month

The July 2009 issue is a "compact" issue – twelve pages instead of the normal 16. The past month has been hectic for the editor, with a lot of time required for non-publishing activities such as helping tend our huge garden and overseeing haying on our small farm. Besides, there's not a lot of good news in dairy.

But this compact issue is full of eye-opening stories. Be sure to read John Bunting's story on page 6 about how California block Cheddar yields in 2007 totaled 13.7 pounds per hundredweight of farm milk. Bunting's story makes a person wonder how much of these "surplus" cheese inventories owe their existence to unnatural shenanigans in the cheese vat!

New milk-pricing system. Currently, U.S. farm milk prices correlate almost perfectly with block Cheddar prices generated at the CME. By manipulating CME cash prices, certain parties directly impact milk prices paid to U.S. dairy farmers. That's all wrong. Dairy needs a new milk-pricing system, which, in my opinion, uses two or more bases to derive prices. Those new price bases should include: regional dairy farm costs of production and a measure of consumer prices paid for retail dairy products. More "inputs" are likely also needed.

Develop a system of on-farm milk production quotas. The tidal wave of dairy heifers that has been spawned by use of "sexed-semen" promises to wreck havoc with dairy supply/demand. We need a U.S. milk marketing system that limits, on a regional basis, how much milk dairies may ship on a daily or monthly basis. Such a program needs to be flexible, regional, readily allow for new entrants, and minimize any monetary value placed upon bases.

Enforce standards for dairy products. If the right folks looked closely, I bet a lot of "stuff" labeled as Cheddar produced in places like California is, in fact, not up to the federal Food and Drug Administration's standards of identity for natural cheese. (See article, page 6 of this issue.)

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Terminate the Commodity Credit Corporation's open-ended commitment to buy all dairy surplus commodities meeting its specifications. Certain dairy co-ops will produce surplus for the government as long as they can get away with it. USDA purchases of dairy products should be re-focused in the following fashion:

1) Commit the government to specific levels of purchases of products designed to help meet domestic nutrition and feeding programs for the hungry. Hunger is a growing fact of life in this country and the government has a moral obligation to help deal with hunger.

2) Allow CCC to buy a limited amount of "surplus" dairy commodities. Firms may sell to CCC only by offering bids, with CCC taking the lower bids if more than one firm wants to sell surplus.

Create a new dairy producers' organization. Existing organizations are simply not representing dairy farmers' true interests. The intelligence and integrity of our nation's dairy farm men and women is not reflected by the actions and policies of those alleging to represent dairy producers.

If all else fails, pull an old-fashioned milk strike. September 1, 2009 would be the optimum time to restrict flow of farm milk to processors. Fluid processors demand is highest early in the week, early in the month. September 1 is a critical period, as fluid processors gear up for school milk sales ... and Mozzarella plants get ready for increased pizza sales. (Pizza sales correlate with the start-up of a new school year.) Strategy: shut off the milk and force a \$20/cwt. minimum net farm milk price from the processors. Dairy marketers and/or regulators who try to end-run the effects of the milk strike should, at the least, be affixed with liberal doses of bovine feces. A milk strike is a weapon of least choice, but dumping milk to extract better prices is no different from continuing a milk pricing/marketing system that is financially killing dairy farmers. Better to destroy some milk than to destroy the creatures (human and bovine) that produce the milk.

Pay farmers to "stay" open heifers. If the dairy industry is looking to better manage milk supplies, we need to do something in an orderly fashion to deal with all these sexed semen-derived heifers. Here's a suggestion that won't be too popular with animal rights activists: pay dairy farmers to "stay" heifers (clip their fallopian tubes) and then raise the

animals for slaughter. Beef markets will be strong for several years. Let's go for good utility value on extra dairy heifers, rather than letting them overflow the bulk tank.

Let marketing organizations enact a 5% cut-back in milk supplies. While milk is allegedly in "surplus," enforce a five percent cutback to producers (of co-ops) and let any producers who don't reduce milk output continue "enjoying" \$9.00 milk prices. California dairy cooperatives are looking at such proposals. A meeting of dairy co-ops in the Upper Midwest on July 9 will hear a parallel proposal. The benefits of such action is to let producers decide on their own how to reduce milk output. If the strategy works, then producers can take credit for doing something constructive in the market place – showing that they have some market power. What's to lose???

Never in the lifetimes of anyone now milking cows has the dairy community faced such serious challenges and devastating times. Honest solutions are available, if dairy farmers take control of their destiny. We must move ahead, the same old "stuff" from the same old dairy leaders and politicians is killing one of this nation's finest industries.