

— Top seven execs' "deferred compensation" averaged \$151,474

DMI "Fat Cats" Compensation Jumped \$131,308 in 2009

by Pete Hardin

In 2009, as this nation's dairy farmers were suffering ruinous milk prices, the national dairy promotion "fat cats" salaries were boosted an average of \$29,339. Better yet, at least for DMI's "fat cats," their retirements and deferred compensations increased a whopping average of \$151,474 in 2009! While dairy farmers' current cash flows bled red in 2009, DMI's executives were squirreling away huge amounts of farmer check-off dollars for their retirements!

Remember 2009? That year, milk prices plunged while grain prices climbed. And U.S. dairy farmers suffered their worst financial blood bath of any year since the Great Depression. *The Milkweed* estimates that in 2009 U.S. dairy farmers suffered combined red ink and lost value of assets equal to the value of all nine million milk cows in the United States.

Why, in the depths of 2009's ruinous milk prices, did top dairy promotion officials fail to spend promotion fund to improve dairy product sales, instead of padding their own salaries and retirements?

Meanwhile, the senior dairy executives at Dairy Management, Inc. (DMI) sucked cream, fattening their retirements and salaries. DMI is the umbrella organization which coordinates dairy promotion activities funded by money from USDA's mandatory \$.15 per hundredweight check-off. The tastiest elements of that cream sucked by these fat cats were deferred compensation and salaries. In 2009, the top seven DMI executives' total compensation averaged \$582,584 – while dairy farmers bled rivers of red ink! That figure averaged an increase

of \$131,308 for the top seven DMI executives!

Some background on DMI is in order to better understand the corrupt process which permits such widespread looting of dairy farmers' promotion money. DMI, headquartered in the Chicago suburb of Rosemont, Illinois, is hired by the 36-member National Dairy Board to manage the day-to-day operation of the check-off program. NDB members appointed by the U.S. Secretary of Agriculture are ultimately responsible for how dairy farmers' check-off dollars are spent – or badly mis-spent – in this case on salaries, retirement funds, etc.!

DMI's board of directors – aka "The Milk Promotion Mafia" – consists primarily of professional "per-diem collecting" directors and managers of big dairy co-ops. DMI's board is responsible for this compensation fiasco. There is extensive overlap between dairy promotion directors and directors of the big co-ops (such as Dairy Farmers of America). This interlocking network of directors dominates both the NDB and DMI. As noted in the story on page 5 of this issue, these characters are the same greedy devils responsible for the harmful dairy import assessment soon to be implemented by USDA.

DMI operates as a non-profit organization (except perhaps for its senior executives). As a non-profit, DMI must submit IRS form 990 by October 15 of the following year. This information is publicly available from Internal Revenue Service and *The Milkweed* has been eagerly awaiting availability of the data for several months.

Further broken down, two key areas of compensation stand out for their lucre: "Deferred compensation" and "base salaries." In 2009, DMI's top seven executives averaged increases in deferred

compensation of \$151,474. Salary increases for those seven supernumeraries averaged \$29,339. All told: these seven DMI supernumeraries averaged increased total compensation of \$131,308 in 2009 ... while dairy farmers' lost their shirts, equities ... and, in some cases, even their farms. SHAME!

Individual DMI senior executives' salary information for 2008 and 2009, with changes from one year to the next, are reproduced in this page.

Is Julian Toney worth \$923,051 per year???

For about three decades, Julian Toney has wormed his way up through the dairy promotion hierarchy. But in 2009, Toney climbed to the top of the milk promotion manure pile mountain, salary-wise. Toney's 2009 total compensation was \$923,051. Not only did that figure make Toney the highest-compensated DMI executive, but dairy farmers paid Toney \$435,370 MORE compensation in 2009 than he received in 2008.

Toney received about \$220,396 MORE total compensation than DMI CEO Tom Gallagher! Strange that an underling drew more \$220,396 more than the CEO, unless Gallagher's strategy (confided within DMI circles) is to pad Toney's pending retirement. That strategy is borne out by the whopping increase in Toney's "deferred income" in 2009: \$504,401. What in Sam Hill did Julian Toney do on behalf of dairy farmers' promotion interests in 2009 to merit \$504,401 of deferred income ??? Whatever this free-loader did, the results sure didn't show up in farmers' milk checks!

Continued on page 7

2008/2009: Top Carry-over DMI Executives' Salaries Comparisons

Payment Type	Year	Thomas Gallagher	Julian Toney	Daniel Chavka	Thomas Suber	Gregory Miller	Jan Ragalie	Mark Leitner
Base Comp.	2008	\$385,000	\$305,325	\$265,250	\$300,150	\$217,350	\$260,000	\$223,000
Base Comp.	2009	410,000	316,011	277,186	310,655	224,957	269,100	230,805
2009 vs. 2008		+ 25,000	+ 10,686	+ 11,936	+ 10,505	+ 7,607	+ 9,100	+ 7,805
Bonus & Incentives	2008	35,000	51,625	10,000	37,973	45,000	10,000	15,000
Bonus & Incentives	2009	35,000	89,892	8,000	72,536	67,922	68,142	68,479
2009 vs. 2008		No Change	+ 38,267	- 2,000	+ 34,563	+ 22,922	+ 58,142	+ 53,479
Other Comp.	2008	213,475	- 1,572	12	-10,107	4,541	19,321	7,345
Other Comp.	2009	193,079	416	7,013	-10,714	2,698	17,460	5,892
2009 vs. 2008		- 20,396	+ 1,988	+ 7,001	- 607	- 1,843	- 1,861	- 1,453
Deferred Comp.	2008	- 0 -	58,035	7,348	61,282	30,010	33,122	28,408
Deferred Comp.	2009	52,675	504,401	103,419	259,524	136,032	129,149	93,324
2009 vs. 2008		+ 52,675	+ 447,366	+ 96,071	+ 197,242	+ 106,022	+ 96,027	+ 64,916
Nontaxable Benefits	2008	62,200	174,268	94,449	105,154	92,447	84,325	82,196
Nontaxable Benefits	2009	11,901	12,331	23,986	28,169	21,325	16,467	20,832
2009 vs. 2008		- 50,299	- 161,937	+ 70,563	- 76,985	- 71,122	- 67,858	- 61,364
TOTAL	2008	\$695,675	\$587,681	\$337,059	\$494,452	\$389,348	\$406,768	\$355,949
TOTAL	2009	\$702,655	\$923,051	\$419,604	\$660,170	\$452,964	\$500,318	\$419,332
2009 vs. 2008		+\$7,980	+\$435,370	+\$82,545	+\$165,718	+\$63,616	+\$95,550	+\$68,383

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Continued from page 6

“Deferred Compensation” money pit

Comparing DMI’s top executives’ salaries and compensation for 2008 and 2009 shows a huge growth area – Deferred Compensation. Led by Julian Toney’s \$504,401 figure, DMI’s seven top executives averaged deferred compensation of \$151,474 in 2009.

Here are the totals 2009 “Deferred Compensation” for the seven top executives:

DMI Executive	'09 Deferred Comp.	2009 vs. 2008 (+/-)
Tom Gallagher	\$ 52,675	+\$ 52,675
Julian Toney	504,401	+447,366
Daniel Chavka	103,419	+96,071
Thomas Suber	259,524	+197,424
Gregory Miller	136,032	+106,022
Jan Ragalie	129,149	+ 96,027
Mark Leitner	93,324	+ 64,916

(Note: Between 2008 and 2009, the IRS changed “Column C” in the Form 990 from “Deferred Compensation” to “Deferred Compensation and Retirement Compensation.”)

While top DMI executives’ “Deferred Compensation” burgeoned, they selective cut back on non-taxable benefits by an average of \$59,857 each.

Blame DMI’s executive committee

Salaries of DMI’s executives are set by the executive committee, which consists of the officers of DMI, the National Dairy Board, and the United Dairy Industry Assn. Ultimately, the blame for DMI’s apparent salary excesses falls on the shoulders of DMI’s executive committee.

These questions deserves answers!

These over-the-top payments for salary and other forms of compensation to DMI’s senior executives in 2009 raise many questions:

* Why did DMI’s executive committee members approve the big increases?

* On what rational basis did DMI give Julian Toney \$504,401 in deferred compensation in 2009?

* What is the logic behind squirreling away \$1.278 million as deferred compensation and retirement benefits in 2009, when dairy product sales

were struggling?

* Do these seemingly excessive payments to DMI’s senior executives compare with salary structures for other agricultural commodity promotion boards and organizations?

* Do DMI’s bloated executive salaries and compensation conform to Internal Revenue Service guidelines?

* Finally, why was USDA’s Agricultural Marketing Service asleep at the switch on these salaries? USDA must be deemed complicit in this scandal of wasted dairy producer promotion resources.

Angry about DMI “Fat Cat” Salaries? Call USDA’s Inspector General!

by Pete Hardin

An incredible \$504,401 in “Deferred Compensation” paid to one high-level dairy promotion official in 2009?

Average compensation of \$582,584 in 2009 for Dairy Management, Inc.’s (DMI) top seven executives?

Average increases of \$131,308 in total compensation in 2009 for DMI’s top seven executives?

As you ponder this outrageous waste of dairy farmers’ check-off dollars, remember 2009, when dairy farmers bathed in red ink and deteriorated asset values. In 2009, when dairy farmers were cannibalizing assets and equities to try to survive, the leaders of this nation’s farmer-funded dairy promotion program squirreled away over a million dollars in deferred income and retirement compensation to line their fat cats’ pockets. ANGRY??? Then do something.

Dairy farmers who believe that the 2009 salaries at DMI were beyond reason should directly contact their U.S. Senators and Congressman, demanding an investigation. The accompanying story is available at *The Milkweed’s* Web site: www.themilkweed.com.

Near the top of the home page, click on the

bold red banner reading DMI Salaries to access a PDF version of this story.

TIME TO FIX DMI’S WAGON!

Complain to USDA’s “Mr. Clean.” Focus your anger and contact the USDA’s Office of the Inspector General (OIG). Call or e-mail the USDA Inspector General’s Office, and ask for an investigation of the DMI executives’ salaries.

To contact the USDA’s Inspector General, you may call: 800-424-9121. Let them know you want to make a complaint about shenanigans involving dairy promotion salaries. See below to contact the USDA OIG by mail, phone, fax or email.

OIG Contact Information

**Phyllis K. Fong, Inspector General
USDA, Office of Inspector General
Room 117-W Jamie Whitten Bldg
1400 Independence Avenue SW
Washington, DC 20250**

Phone: (202) 720-6641 or (800) 424-9121

Fax: (202) 690-1278

Email: USDA_hotline@oig.usda.gov