

“Foundation for the Future” is Brain-Dead

Background: Word from Washington, D.C. is that Minnesota congressman Collin Peterson (D) is poised to introduce dairy legislation in the U.S. House of Representatives known as “Foundation for the Future” (FFTF) from National Milk Producers Federation (NMPF). In fact, as of early July 2011, based upon prior claims by NMPF, Peterson is dumping this bill into the hopper in weeks, or even months behind intended schedule.

As details have been released, thoughtful persons in dairy are puzzled that NMPF – the major dairy cooperatives’ lobbying group – would dare create and champion such a lame-brained package of federal dairy policy proposals. *The Milkweed* urges all thinking persons in the dairy industry to ask what good can come of such proposals.

Imagine a space craft from Mars landed in the U.S., and from that spacecraft emerged little green creatures bearing proposals to solve one of this nation’s most perplexing public policy debates: federal dairy policy. Imagine if those little green creatures proposed the following changes for future U.S. government dairy policy:

- **Eliminate 83% of all mandated pricing for butterfat in the federal milk order system.**
- **Eliminate 100% of all mandated pricing for protein in the federal milk order system.**
- **Throw all milk pricing, except Class I (fluid) milk, to the “open market” – i.e., the whims of the big milk buyers and the big dairy co-ops.**
- **Eliminate details about timing of payments to dairy producers by buyers of milk.**
- **Allow USDA to invoke stiff “taxes” on dairy farmers’ milk income, when, months after the fact, based upon questionable “economic formulas,” USDA determined that dairy producers’ income levels were too close to their production costs.**
- **Tax dairy farmers for inter-market movement of farm milk, to meet needs of distant fluid processors.**
- **Have federal taxpayers cover “insurance” to guarantee dairy farmers’ profits.**

STOP! ENOUGH OF THIS STUPIDITY, RIGHT? WRONG! The “stupidity” is just about to start, when (or whenever) Rep. Peterson introduces this misguided dairy legislation.

In a July 13, 2011 press release, Rep. Peterson claimed that, “I’ve never seen the industry as united as it is now ...” What’s Peterson talking about??? In June, the annual conventions of dairy’s two biggest breed associations – Holsteins and Jerseys – refused to approve Foundation for the Future!

If such proposals had been made by space aliens, those creatures would have been laughed into the next solar system. But such brain-dead proposals are exactly what National Milk wants as future U.S. dairy policy! Instead of little green creatures, we find big, greedy creatures (NMPF’s CEO Jerry Kozak and numerous dairy co-op leaders chanting “FFTF” in unison).

Ending butterfat pricing, except for Class I

NMPF proposes that the only butterfat in Class I (fluid) milk would be priced in the future. In recent years, USDA’s federal milk order program has seen Class I use average about 33% of total milk pooled nationally (excluding California, which has its own state milk marketing order). But the average butterfat content for beverage milk sold in the U.S. is about 1.8% to 1.9%. Effectively, half of the milkfat for Class I milk is extracted and used in other products, such as ice cream, butter, cheese, etc. Do the math: $33\% \text{ (Class I use)} \div 2 = 16.5\% \text{ Class I fat.}$

(Note: Cream sales – a small portion of milkfat utilization – might add a couple extra points to this utilization.)

Effectively, NMPF kills off 83% of all milkfat valuation – the non-Class I portions for fat utilization in federal milk orders.

Ending all protein pricing

Several of USDA’s 10 regional milk orders incorporate values for milk proteins into farm milk price calculations. Logic is: in end-products other than Class I (fluid), protein has value. Example: higher yields for cheese from high-protein milk, increased volumes for processing higher-solids milk into milk powder. USDA – at the request of dairy cooperatives – started incorporating protein pricing into selected federal milk order pricing formulae in the late 1990s.

Valuing raw milk based upon its protein content when used in production of cheese, yogurt, nonfat dry milk, etc. makes sense: such practices recognize the “win-win” elements of higher-solids milk for both dairy farmers and dairy processors.

Two classes of milk???

FFTF proposes that USDA would regulate only Class I milk. The basis for monthly Class I values would be the LOWEST regional pay-out by cheese plants for a particular prior month. That vague, “competitive” pay price paid by cheese plants is buzz code for incredibly low prices for dairy farmers. When do dairy farmers benefit by “lowest of” regional price benchmarks.

Even though FFTF proposes two classes of farm milk, mandatory pricing would be applied only to Class I markets. The notion that all other uses of milk would be priced by an “open market” ignores competitive realities and pressures in the U.S. dairy industry.

Reviving “Milk Taxes”

Oh, no. It’s been more than 15 years since USDA last levied assessments against dairy farmers’ milk checks, collectively and angrily known as “milk taxes.” For some reason, inspired by dairy cooperatives, USDA’s various dairy policies in the 1980s and into the 1990s were enforced by “milk taxes.”

If the FFTF proposals by NMPF had been in place in 2011, U.S. dairy farmers who showed no increase in their March 2011 milk output (compared to a December 2010 to February 2011 “rolling base”) would have seen about 4% of their March 2011 milk income swiped by USDA. WHY? Because NMPF proposes, in FFTF, that when the net margin because milk prices and grain/forage costs narrows to a certain point, Uncle Sam must swipe milk money from dairy farmers. No matter that in March 2011 U.S. dairy farmers enjoyed needed high milk prices. No matter that in January-February 2011, about half of all the nonfat dry milk was exported out the country and that butter supplies were historically tight. If NMPF’s stupid formulas (based on grain/forage costs) said “DEDUCT,” U.S. dairy farmers would have seen Uncle Sam swipe their money. And what would have happened to that pilfered moo-la? NMPF wants to set up another board to promote additional dairy product demand, both domestically and globally. No doubt



Pete Hardin

the usual village idiots would be appointed, with NMPF’s blessings, by USDA to govern such efforts. And goodly sums of money would probably be diverted to the National Milk-dominated incompetents at the U.S. dairy promotion mafia.

Tax producers to pay for inter-market movement of milk

Some regions of the country face serious milk shortages, and fluid milk processors will be forced to regularly import farm milk from outside their region to obtain adequate supplies. So what does FFTF propose? A system to “tax” dairy farmers to move from one region to another? Why?

“Gross margin insurance”

Why should federal taxpayers cover proposed government insurance to help assure dairy farmers’ profits, when so many programs for the nation’s poor, needy and hungry are being axed?

In summary: FFTF is a fiasco!

Eliminating federal values for butterfat used in various classes of milk other than fluid is a giant step backwards. The system of one federally dictated, base value for milk fat – regardless of the product in which it’s consumed – has served the U.S. dairy industry, producers and processors, well. Given the relatively weak bargaining position in which U.S. dairy farmers are placed, it’s wrongheaded to imagine that anything but net income losses can result from dumping mandatory prices for butterfat in uses of milk other than Class I.

Same for protein content in raw milk. Imperfect as USDA’s conducting of dairy pricing oversight has been, valuing the raw product based upon its functional characteristics is a basic logical precept. Nearly half of all U.S. farm milk goes into the cheese vat. Cheese yields correlate with the protein content (and quality) of raw milk. For the past 40 years, the U.S. dairy producers have been taught to breed, feed, and manage their dairy herds for increased components’ content. FFTF’s proposed dumping of both non-Class I butterfat and all protein pricing would represent turning back the dairy pricing clock by several decades.

Milk taxes, anyone? If today’s generation of dairy farm men and women do not remember the hated milk taxes, then they need some education from their elders.

Recipe: Cheddar Corn Chowder

This simple recipe uses a milk base for two tasty components – fresh sweet corn and aged Cheddar cheese. Good sharp Cheddar and slow heating are the secrets to this recipe.

Ingredients:

2 cups milk
1 cup fresh-cut corn kernels
1/2 cup grated aged Cheddar
2 pats butter
2 dashes Worcestershire sauce
1/8 teaspoon white pepper

Directions:

Heat the milk gently in a sauce pan large enough to eventually hold all ingredients. Add corn and butter to warm milk. Put mixture in blender and pure for 30-45 seconds.

Return to sauce pan. Under low heat, add Worcestershire and white pepper and stir in Cheddar until cheese is melted.

Enjoy!