

The Milkweed

Dairy's best information and insights

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“Float like a butterfly,
sting like a bee.”

— Muhammad Ali

“Globalism” – Boom or (Mostly) Bust for U.S. Dairy Farmers

by Pete Hardin

As 2017 draws to a close, we find the majority of U.S. dairy farmers broke and disgusted after three years of ruinous milk prices. Unpaid bills are piled high and equity continues to erode. Dairy livestock prices are in the tank – calves, cull cows, springing heifers, and milk cows. Legitimate fears focus on gaining operating capital for 2018.

Yet, as the adjacent graph tracking “All Dairy Products” shows, 2015 and 2016 were two of the greatest, above-trend, back-to-back years for increased **commercial** domestic, per capita dairy consumption (measured on a milk fat basis). The word “commercial” is emphasized, because data from the mid-1980s was skewed by massive donations of dairy surplus by the federal government.

Consumer sales of butter, cheese and whole milk are solid. Sales of nonfat dry milk, reduced-fat beverage milk, yogurt and low-fat/fat-free cheeses are down. Unfortunately, our dairy marketing and milk pricing systems have devolved into something like the old kid's game of “Keep Away” keeping the money away from dairy farmers.

The message from dairy's failed leaders is more of the same. Greater reliance on export markets to soak up excess milk production from U.S. dairy farms. Those failed leaders — National Milk Producers, Dairy Management, Inc., Dairy Farmers of America and the whole slew of lesser, eunuch-like cooperatives following the behind – proclaim that dairy's future is in exports ... while putting little effort into boosting domestic programs. Examples:

- DMI – the milk promotion bozos – paid CEO Tom Gallagher compensation greater than \$1 million in 2015 (the last year for which DMI's executives' salary data is available from IRS Form 990). DMI only dedicated \$1 million in 2015 for butter promotion less than 0.5 percent of DMI's budget!

- DMI's foolish “Fuel Up to Play 60” tie-in promotion with the National Football League is probably pulling at least \$15 million in costs from the dairy check-off funds. That program only promotes low-fat and fat-free dairy products for school kids. Sales of low-fat and fat-free beverage milk and cheeses are almost all double-digit down for the past

year. Why continue a fancy-pants program that has promoted only nose-diving low-fat and fat-free dairy products? If anyone doubts the “fancy-pants” description of DMI's wasted funds on the “Fuel Up to Play 60” – read pages 8-9 of this issue to learn of a “Gala” held by a DMI funding recipient this coming December 6 in New York City where seats at a banquet are selling for \$2,500 to \$15,000 apiece (in lots of 10). **Tuxedos are optional to hear the Gala's famous keynote speaker ... Hillary Clinton's husband.**

Talk of exporting this nation's dairy farmers' pathway to future success masks these realities:

- Failure of dairy policy makers (public and private) to put a lid on excess milk production by mega-dairies that are being bankrolled and built, despite low milk prices.

- Continued purchases by global giants of this country's dairy and food processing businesses.

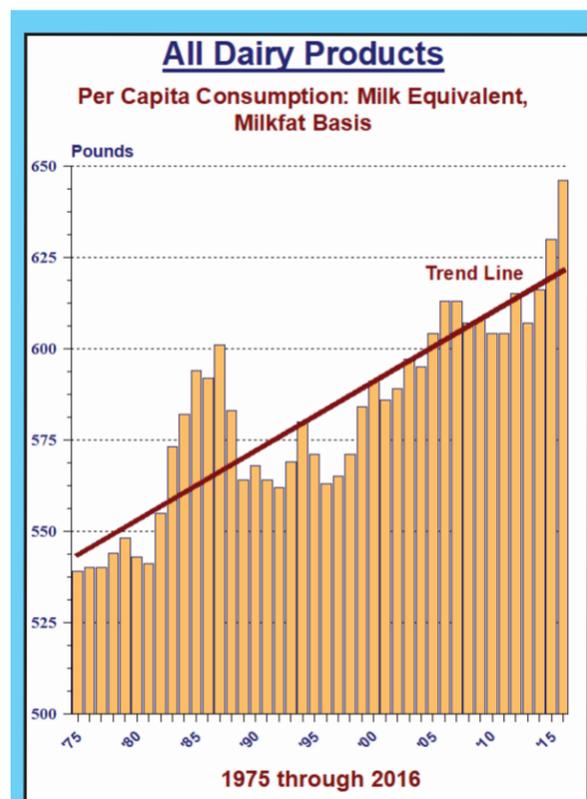
- More often than not, global dairy commodity prices are going to be below levels that provide costs of production for U.S. dairy farmers.

U.S. leaders babble, EU & Canadians act

While this nation's dairy leaders *talk* about global markets, the U.S. dairy industry is being increasingly cut off at the pass on trade policies by those wily Europeans and Canadians. The European Union, in recent months, has cut deals with Canada and South Korea that basically smooth access to EU's dairy products and, in some cases, geographic indicators (GIs). GIs are the names of common cheese products – like Parmesan and Muenster, for example – that the EU contends cannot be used by companies producing such products outside of European nations/regions where they originated.

What are U.S. dairy leaders doing??? Threatening Canada with loss of their farm quotas (dairy, eggs and pork) through revised NAFTA negotiations, unless Canada allows a big batch more of U.S. dairy products into their market. Our undisciplined milk production, in the name of “free trade” is being used to threaten Canada's stability.

Leading dairy's “Free Trade” charge is Tom Vilsack, former United States Secretary of Agriculture,



The ups and downs of dairy product consumption over the past four decades yield an undisputable uptrend in per capita consumption, measured on a milk fat basis. The greatest commercial gains of the past 40 years were registered in 2015 and 2016. For more details, see page 16, this issue. (All graphs from Order #32 Market Administrator's Bulletin, October 2017.)

now head of the U.S. Dairy Export Council. The notion that dairy farmers check-off funds are helping bankroll Vilsack's overpaid carcass is disgusting. Vilsack dangerously approved allowing imports of beef from three countries with active Foot and Mouth Disease infections, during his tenure atop USDA. (Note: Vilsack is being honored at that December 6 “Gala” in New York City. That's like Revolutionary War leaders “honoring” Benedict Arnold.)

This issue mailed on November 13, 2017

Rodents Interrupt JBS PA Dairy Slaughtering

by Pete Hardin

JBS, the severely troubled international meat firm based in Brazil, halted beef slaughter operations in the southeastern Pennsylvania town of Souderton in late October for more than two weeks.

With slaughter operations shut down, cattle buyers for JBS were absent from dairy livestock auction houses in Pennsylvania, New York State and Ohio. JBS is the major buyer of dairy cull cows in numerous dairy regions of the United States. In the East, prices for dairy culls, dairy steers and dairy bull calves nose-dived ... as JBS' buyers were absent from livestock auctions.

USDA's Food Safety and Inspection Service withdrew inspectors from JBS' Souderton, Pennsylvania plant in late October due to unsanitary conditions. Meat plants cannot operate without government inspectors on premises.

Numerous sources in the dairy and livestock industries point to a government-dictated shutdown at the JBS plant in southeastern Pennsylvania, due to the presence of rodents. That shutdown caused multiple emergencies throughout the busy farm-to-kill

floor path taken by dairy culls, dairy steers and beef animals. Those emergencies included:

- In the East, prices paid for dairy cull cows nose-dived. Sources say that at Lowville, New York, a top Holstein cull cow sold during the week of October 29-November 2 brought around **thirty cents per pound, live-weight**. And few buyers wanted to bid for dairy bull calves.

- Livestock purchased by JBS at a southeast-Pennsylvania livestock auction in late October remained at that premises, nearly *two weeks later*.

- Sources tell *The Milkweed* that USDA summoned “All Hands on Deck” for livestock veterinarians in the region to oversee and expedite shipment of more than two dozen livestock trailers of cull cows and steers to JBS slaughter plants as far away as Michigan and Wisconsin. A source at the Wisconsin Department of Agriculture, Trade and Consumer Protection confirmed that Wisconsin state veterinary officials had been advised in advance of the emergency movement of dairy livestock to a JBS-owned slaughter facility in the Green Bay area.

Continued on page 3

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Roll High-Flying (Worthless) GENYOUth Promotion

Obviously, the tide is going out on retail sales of reduced-fat dairy products. But DMI's "Fuel Up to Play 60" promotion with the NFL, backed up by GENYOUth's programming, haven't got the message. (See sidebar for a list of those organizations and their 2015 contributions to the GENYOUth Foundation.)

In recent years, the "low-fat/no-fat" emphasis of DMI's "Fuel Up to Play 60" promotion was blamed on the industry's kow-towing to former first lady Michelle Obama's "vision" of fighting childhood obesity through low-fat and no-fat foods. But now that the Obamas are no longer in the White House, DMI continues with its ineffective "low-fat/no-fat" emphasis for the "Fuel Up to Play 60" farce.

GENYOUth's 2015 Form 990 raises several questions ...

IRS Form 990 is required of all non-profit organizations. These forms offer a look at such organizations' incomes and expenses. *The Milkweed* has looked at IRS Form 990s to historically provide embarrassing looks at the salaries and compensation packages for dairy promotion organizations and dairy lobby groups such as DMI, National Milk Producers Federation and the International Dairy Foods Association. Among the question raised by the GENYOUth Foundation's 2015 IRS Form 990:

But for 2015, IRS Form 990 lists a paltry \$500 as "interest on savings and temporary cash investments." Only \$500? What's the GENYOUth Foundation doing with all that squirreled-away moo-la??? Obviously, money management skills are not a priority at GENYOUth.

IRS Form 990 requires non-profits to annually list the compensation of the five highest paid professionals. (Note: The GENYOUth Foundation for listed 2015 only three such entries, not the requested five.)

GENYOUth's 2015 IRS Form 990 contained a page titled, "990PF, Part VIII – Compensation of the five highest aid professionals." That page listed three entities:

Alexis Glick (CEO)	\$200,000
MKTC LLC (Consulting Services).....	\$264,814
McLeod, Watkinson & Miller (Legal Services)	\$54,613

Wayne Watkinson licking this pot, also

One of the most powerful, behind-the-scenes figures in dairy and agriculture is attorney Wayne Watkinson, who vigorously milks USDA's mandatory commodity programs as if they were a high-butterfat producing Jersey cow.

Watkinson represents many of USDA's dairy commodity programs, including Dairy Management, Inc. For 2015, GENYOUth Foundation paid Watkinson's firm – McLeod, Watkinson & Miller — \$54,613. While this amount is no doubt piddling by Watkinson's lofty standards, it's a head-scratcher to puzzle what The GENYOUth Foundation needs to pay Watkinson that amount.

Other "stuff" ...

Dairy Management, Inc. received \$394,227 from The GENYOUth Foundation in 2015. DMI is described as a "controlling organization" on GENYOUth's 2015 Form 990.

GENYOUth Foundation accumulated \$2,532,590 in "Other Professional Fees" in 2015, exclusive of legal and accounting fees.

2015 is the latest information available for The GENYOUth Foundation's IRS Form 990 Report. There is at least a year and a quarter lag (or more) from the end of the reporting year until Forms 990 are available from the IRS.

Other dairy firms – i.e., those not receiving funding from the USDA's dairy promotion check-off — contributing to the GENYOUth Foundation in 2015 included:

The Dannon Company (White Plains, New York)....	\$ 30,000
Domino's Pizza (Ann Arbor, Michigan)	\$333,000
H. J. Heinz Company Foundation	
(Pittsburgh, Pennsylvania)	\$55,000
Land O'Lakes, Inc. (Arden Hills, Minnesota)	\$50,000
Leprino Foods (Denver, Colorado)	\$70,000
Maryland & Virginia Milk Producers Co-op	
(Reston, Virginia)	\$25,000

On page 1 of IRS Form 990 for 2015, GENYOUth listed the following expenses:

Line 14 Other employees salaries and wages	\$329,713
Line 15 Pension plans, employee benefits	\$63,866
Line 15c Other Professional fees	
(attach schedule)(.4)	\$2,532,590
Line 20 Occupancy	\$263,315
Line 21 Travel, conferences and meetings	\$232,324

Dairy farmers bankrolling a "fancy-pants" operation ...

The impression of a high-overhead operation starts with GENYOUth's 515 Madison Avenue address in New York City – which helps explain the \$263,315 "occupancy" (rent) listing in 2015 – a cost of \$13,166 per month. And when it comes to "party time," GENYOUth's management obviously knows how to throw an expensive bash. The firm's website features a video of a December 2016 shindig at New York City's luxurious Waldorf Astoria hotel held for 600 attendees.

GENYOUth only promotes "Low fat or Fat-Free dairy" products!

GENYOUth's programming is strictly devoted to promoting kids' consumption of "low fat or Fat-Free" dairy products. GENYOUth operates as a supplement for the larger, "Fuel Up to Play 60" program funded by DMI, in tandem

with the National Football League. In recent years, the "Fuel Up to Play 60" program has been funded by DMI at the rate of upwards of \$13 million – making it one of DMI's single-largest promotions.

GENYOUth's 2015 IRS Form 990 reports its mission as the following:

"Fuel Up to Play 60 is an in-school, nutrition and physical activity program launched by the National Dairy Council (NDC), GENYOUth Foundation, and the National Football League. **The program encourages youth to consume nutrient-rich foods (low-fat or fat-free dairy, fruits, vegetables and whole grains) and to achieve at least 60 minutes of physical activity each day.**" (Bold emphasis added.)

By common measures, the estimated \$20 million being invested in the "Fuel Up to Play 60" programming is a waste, if consumption of "low fat and fat free" dairy products are any measure. Sales of skim milk and other low-fat and fat free dairy products are in the tank – losing volume annually. When one adds DMI's "Fuel Up to Play 60" budget of at least \$10 million, and throw in GENYOUth's \$8 million (or so), the result is a \$14-plus million waste.

DMI grants some \$1,285,000 to GENYOUth in 2015 (Schedule B, IRS Form 990 for 2015). But in a back-and-forth, money flow game, GENYOUth paid DMI \$394,227 for "Reimbursement, Managerial Svcs" in 2015.

Blame DMI CEO Tom Gallagher ...

When excessive wastes of dairy farmers' promotion check-off dollars are apparent, it's a good bet that DMI CEO Tom Gallagher has his fingers in the pie. Gallagher, who has headed DMI and its predecessor dairy promotion organization for more than 20 years, serves as Chair of the GENYOUth Foundation.

Thus, GENYOUth provides Gallagher with even more opportunities to rub elbows with the high-rollers and attractive women. At least twice in recent years, Gallagher's compensation package as DMI's CEO has topped \$1 million. Under Gallagher's management, certain DMI executive's salaries have appeared excessive. In 2010 (a very bad year for dairy farmers' profits), two DMI employees were among the top four highest-paid executives of non-profit organizations operating in the United States. IRS rules specify that non-profit organizations' salaries must be reasonably aligned with those of similar organizations. (Note: In 2010, no other executives of USDA commodity promotion boards were listed among the 200 highest-paid non-profits' executives.)

Under Gallagher's "loosey-goosey" reign, DMI's top executives have periodically enjoyed massive padding of their retirement accounts, and in other years, enjoyed tens of thousands of dollars worth of non-taxable benefits. Two former employees – Jeanette Temple and Julian Toney – had DMI pad their retirement accounts to the tune of a half million dollars in a single year! (Ms. Temple "earned" that benefit in 2010, when she worked at DMI less than 10 months!)

Back on the farm, U.S. dairy farmers have struggled to pay their bills. They see as much as one percent (\$.15/cwt.) of their net milk income (after deducts) is used to "promote" dairy products by the likes of DMI and GENYOUth. The national dairy promotion check-off was legislatively mandated in 1983. Dairy farmers have never had a one-farmer, one-vote referendum on continuing the dairy promotion check-off. Dairy farmers do not have the ability to appoint directors of the National Dairy Promotion and Research Board. Directors are appointed by the USDA Secretary. Dairy farmers have no recourse but to pay endlessly into the dairy promotion check-off, and watch as the likes of DMI and GENYOUth waste money by the truckloads.

12/6: Bill Clinton is GENYOUth Gala Speaker

On December 6, GENYOUth's fancy gala will be held on the USS Intrepid – a floating aircraft carrier/museum. Dairy farmers will be happy to know their promotion dollars are paying for Hillary Clinton's husband to be the keynote speaker. Anchors aweigh, suckers.

GENYOUth's extravagances – and their separation from the realities faced by U.S. dairy farmers — are reflected in the foundation's upcoming, December 6, 2017 fund-raising "Gala." That event will be held at the Intrepid Sea, Air and Space Museum. (That museum is a mothballed U.S. aircraft carrier, parked just off West 46th Street in New York City.) Seats at the banquet range from \$15,000 to \$2,500 per person.

The GENYOUth 2017 GALA at the Intrepid Museum is a "black tie optional" event. (For rubes who milk cows, that means male attendees may wear tuxedos.) Sponsors may book 10-person tables at rates ranging from \$15,000 per person down to the "cheap seats" at \$2,500 each.

Attendees will have the privilege to watch Tom Vilsack, now head of the U.S. Dairy Export Council, honored as GENYOUth's "Vanguard Award Recipient." (The Milkweed has previously characterized Vilsack as "the most dangerous man in American agriculture" for his approving imports of beef from nations with active Foot-and-Mouth-Disease infections.)

If heaping honors on Vilsack isn't enough to churn real dairy farmers' stomachs, then they may enjoy hearing Hillary Clinton's husband, Bill, deliver the Keynote Speech. The notion of dairy farmers' milk promotion dollars bankrolling a Bill Clinton speech is absurd. The GENYOUth Gala is touted as a fund-raiser. But dollars to doughnuts, a lot of dairy farmers' milk promotion dollars will be spent buying tables, paying for per diems, fancy hotel rooms, air fares, taxi cabs, meals, tips ... and goodness know what else may go on in The Big Apple. Egad, when is enough fancy travel and conventions enough for the high-flying U.S. dairy promotion moguls? After all, DMI and National Milk Producers Federation (the worthless dairy co-op lobby) just completed their joint annual meeting at Disneyland in early November.

U.S. Dairy Farmer Check-Off \$\$\$ Helping to Bankr

by Pete Hardin

One of the great tricks of tricks practiced by Dairy Management, Inc. (DMI) is to spend millions on fancy-sounding programs that have little, if any, measurable results. So what better scam than to promote a program to encourage greater physical activity for school children ... and tie it all in with the “healthy” diets and National Football League! Who couldn’t like *that*?

In 2015 (the latest year for which financial information is available), U.S. dairy farmers’ promotion groups contributed \$3,924,224 to a New York City-based, private, non-profit organization: Youth Improvement, Inc., which does business as the GENYOUth Foundation (GENYOUth). GENYOUth basically makes grants to schools to boost children’s physical activity.

But GENYOUth’s sole mission for dairy is to promote “low-fat” and “fat-free” dairy products. Yuk!

GENYOUth was founded in 2010 as a partnership involving the National Dairy Council and the National Football League. GENYOUth basically owes its origins to DMI’s desire to suck up to former First Lady Michelle Obama’s concerns about childhood obesity. Mrs. Obama believed that kids should reduce fat intake in their diets. The way things worked back then, DMI took its cues from then United States Agriculture Secretary Tom Vilsack – a consummate politician. If Michelle Obama wanted healthier diets for kids, including “low-fat” and “fat-free” dairy products ... then that’s what DMI and Vilsack served up. Little heed was given, then or now, to the fact that “low-fat” and “fat-free” dairy products are rather tasteless and unappealing. Under Vilsack, USDA dictated that schools lower the fat content of milk products to generally “low-fat” and “fat free” swill – large quantities of which end up in trash containers when school lunchtimes end.

The problem with GENYOUth and its fancy-spending ways is that promotions of “low-fat” and “fat-free” dairy products ARE measurable. Retail sales data for all varieties of fat-reduced milk are nose-diving. Same for sales of low-fat and no-fat cheeses. Thus, GENYOUth’s whole dairy basis – promoting “low-fat” and “fat-free” dairy products – is measurably in the toilet, sales-wise. (See results cited later in this article.)

Dairyman/accountant Gary Genske started asking questions ...

Recent weeks have found Gary Genske asking questions about Dairy Max – a dairy promotion unit that receives funding from the \$.15/cwt. deducted from Genske’s New Mexico dairy farm. Each month, Genske’s dairy, located near Roswell, New Mexico, sees \$7,000 deducted for the dairy promotion check-off. Genske also operates dairy’s premier accounting firm – Genske/Mulder. He



In December 2016, GENYOUth celebrated its fifth anniversary with a gala banquet at New York City’s exclusive Waldorf Astoria Hotel. Any bets on how much that shindig cost??? The Waldorf Astoria banquet typified GENYOUth’s expensive tastes. GENYOUth paid over \$13,000 per month in rent for a Madison Avenue office site. GENYOUth’s 2017 “Gala” will feature Bill Clinton as the keynote speaker. Seats range from \$2,500 to \$15,000 each.

knows milk money. Genske puzzles at why Dairy Max sends large amounts of money to a New York City-based, private non-profit foundation the “GENYOUth Foundation.”

For more than a year, Genske has been badgering Dairy Farmers of America to honor his right to channel his dairy promotion assessment to the “qualified program” of his choice. To date, DFA has denied that request, which Genske contends is his right under the prevailing rules.

The deeper Genske has dug into Dairy Max’s funneling of New Mexico dairy farmers’ milk promotion dollars to the likes of GENYOUth Foundation, the more questions have arisen. A recent email issued by Genske lists the following annual amounts that DairyMax has shuttled to the GENYOUth Foundation:

2015.....	\$360,242
2014.....	\$710,000
2013	\$1,120,000
2012.....	\$844,364

Genske notes in disgust that of the approximate 1,350 schools that received cash grants from GENYOUth Foundation in 2015, **not a single one of those schools was located in New Mexico.**

Genske observes, “With continuing low producer pay prices, New Mexico being the lowest in the country, we must hold those accountable for acceptable results.” He notes that it is very disturbing, after reviewing Dairy Max IRS Form 990 reports for 2013-2015, he has trouble finding where any money has been spent in New Mexico. Meanwhile, Dairy Max has seen skyrocketing directors’ expenses and travel costs. “The 15-cent promotion assessment is a failure and should either be overhauled or eliminated,” Genske concludes.

According to the non-profit’s 2015 Form 990, filed with the federal Internal Revenue Service, GENYOUth reported \$7.759 million in annual revenues that were derived from “contributions, gifts, grants” and “other income.” In 2015, the GENYOUth Foundation listed a total of 56 “contributors,” including 18 different dairy promotion groups that receive funds through USDA’s mandatory, \$.15/cwt. promotion check-off. Those 18 organizations are “qualified programs” under USDA rules for receiving dairy promotion check-off funds. However, there is no “vetting” by USDA about organizations receiving funds from “qualified programs.”

A wide array of dairy, food, and other corporations were listed as “contributors” on GENYOUth Foundation’s 2015 IRS Form 990. Those other contributors ranged from Leprino Foods and Land O’Lakes to Nike and Monsanto.

GENYOUth basically funnels money to schools, offering grants to boost physical activities. The GENYOUth grants dove-tail with the Dairy Management, Inc.’s “Fuel Up to Play 60” promotion with the National Football League (NFL). That promotion spends approximately \$10 million annually.

Curiously, the “Fuel Up to Play 60” program only promotes low-fat and non-fat dairy products. USDA data shows that sales of those products are dramatically falling. For example, USDA data for January through August 2017 showed a 12% decline in Skim Milk sales, nationally. Fluid milk sales data reported by Dairy Management, Inc. (DMI) for 2017’s first two quarters (through June 25) showed a 6.6% decline in Low Fat (1%) milk and a -14.2% erosion of Fat Free (Skim) milk. That data is drawn from retail check-out scanner data.

Meanwhile, retail sales of reduced fat cheeses fared even worse. According to supermarket scanner data for the 52-week period ending July 9, 2017, these sales results were reported:

Light and Reduced-Fat cheeses:	-7.9%
Low Fat cheeses:	-15.2%
Fat Free cheeses:	-19.0%

Dairy Promotion Groups’ 2015 Payments to The GENYOUth Foundation

The Milkweed gleaned the following information from The GENYOUth Foundation’s 2015 IRS Form 990 report. Those organizations, their locations, and the amounts paid to The GENYOUth Foundation in 2015 include:

American Dairy Association and Dairy Council (Syracuse, New York).....	\$83,286
American Dairy Association (Columbus, Ohio)	\$200,000
California Milk Advisory Board (San Francisco, California).....	\$80,513
Dairy Council of Arizona [Tempe (sic), Arizona]	\$112,500
Dairy Management, Inc. (Rosemont, Illinois)	\$1,285,000
Dairy Max (Grand Prairie, Texas)	\$360,000
Florida Dairy Farmers (Altamonte Springs, Florida)	\$150,000
Idaho Dairy Products Commission (Meridian, Idaho)	\$175,000
Maine Dairy Promotion Board (Augusta, Maine).....	\$15,000
Mid-Atlantic Dairy Association (Philadelphia, Pennsylvania)	\$48,695
Midwest Dairy Association (Eden Prairie, Minnesota)	\$574,315
Milk Promotion Services of Indiana	\$75,000
New England Dairy Promotion Board (Boston, Massachusetts)	\$182,500
Oregon Dairy Products Commission (Portland, Oregon)	\$97,917
Southeast United Dairy Industry Association (Atlanta, Georgia).....	\$15,000
United Dairy Farmers of Michigan (Okemos, Michigan).....	\$150,000
Washington Dairy Products Association (Lynnwood, Washington)	\$260,000
Western Dairy Association (Thornton, Colorado)	\$59,500

In 2015, organizations receiving funds from USDA’s mandatory, \$.15/cwt. check-off paid \$3,924,226 into The GENYOUth Foundation – a non-profit entity with:

- Income of \$7,808,272
- Expenses of \$9,082,687