

IT JUST TAKES YOUR BREATH AWAY.

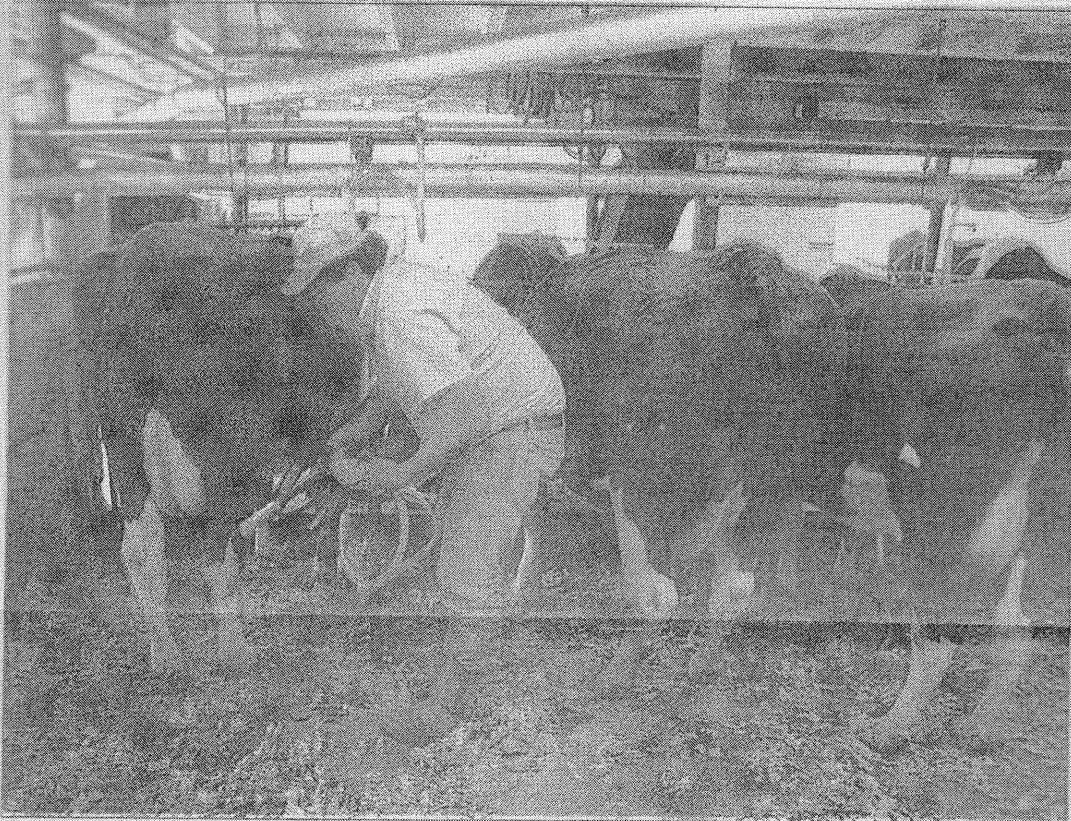
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6/6/97

Drastic price drop will cost state dairy farmers about \$14 million

APR

# PRICES CURDLE



Post-Crescent photo by Dave Powers

TERRY VAN HOOF, owner of Mid-Valley Dairy Farm, applies a milking machine on one of his 107 dairy cows.

## Exchange gone, but problems remain

By Dan Wilson  
Post-Crescent staff writer

The removal of the hated National Cheese Exchange from the formula price that producers receive for their milk may have backfired for Wisconsin dairy farmers.

Thursday's release by the USDA of the

May price dropped milk prices to a four-year low.

The new May Basic Formula Price released Thursday pegs the price at \$10.70 per hundredweight, a drop of 74 cents from April's \$11.44.

That's the equivalent of reducing a dairy farmer's income by 6.5%.

The last time the basic price for manufacturing grade milk was below \$11 was in February 1993, when it was \$10.74.

The new price is only 50 cents

above the government support price, the price that triggers government purchases of excess dairy products.

The drop continues a slide in dairy prices which began in October.

Farmers have expected some relief from falling prices with the removal of the National Cheese Exchange from the pricing mechanism. Many farmers and farm groups accused the large

**■ The decline, released by the USDA on Thursday, is the equivalent of reducing a dairy farmer's income by 6.5%**

traders of using the cheese exchange to manipulate prices.

With the move of cheese trading from Green Bay to the Chicago Mercantile Exchange, the USDA went to a new formula that depends on price surveys of various cheese plants, as well as demand for other manufacturing milk.

"This just takes your breath away,"

said Stewart Huber, president of the Farmers Union Milk Marketing Cooperative, which markets milk for its 8,000 members throughout the Midwest.

"This is an unwelcome situation for farmers who are hard-pressed right now. This number is worse than when we had the great debacle with cheese exchange going on. This is getting down near support levels."

The decline will cost state dairy farmers about \$14 million when milk checks come out later this month.

Weyauwega dairy farmer Bill Jonely said many industry watchers were predicting a decline based on current market conditions.

"A lot of guys thought with the cheese exchange going it could get worse," said Jonely. "I have also heard they are still surveying cheese plants and they still have some work to do on the pricing system. We will have to

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# DAIRY: New formula can't keep prices from falling

from A-1

wait to see what happens."

Jonely said he doesn't know what effect it will have on his check this month. Milk checks typically come out around the 20th of the month based on the previous month's prices.

"I don't think it is over with yet," said Dale Depies, who farms in Calumet County and is a director for the National Farmers Organization, one of the groups that protested at the cheese exchange.

"It is like being circumcised with Water Pik, and you can quote me on that. They are slowly bleeding us

to death. In the long run we find out the protests don't seem to do much good."

Depies said farmers will have to break the cycle of producing more to counter lower prices and enter into some kind of supply management before prices can stabilize.

Dairy farm economist Robert Cropp of the University of Wisconsin-Madison said the new pricing system can't be blamed because supply and demand are still the controlling factors.

"The prices would have gone down under the old method," he said. "A lot of people were predicting prices would have gone down

even further, if you look at the prices of cheese and butter powder in the past month."

While Wisconsin farmers have decreased production by milking fewer cows, Western farmers have been increasing their output and have outpaced Wisconsin's decline.

"California, Idaho, Washington and Oregon are going up very strong and they are the ones who are the culprits in this. They are the ones adding to the supply of cheese," Cropp said.

If retail prices come down to lower the excess inventories, some price recovery is possible for farmers next month, he said.

Sens. Russell Feingold and Kohl were quick to react to USDA's release of the May numbers with a joint statement Thursday.

They urged Agriculture Secretary Dan Glickman "to take aggressive actions through the full use of the Dairy Export Incentive Program and through purchases under USDA nutrition programs to remove excess cheese stocks from the market. While we request these actions earlier this year, you pledged to use these programs to bolster milk prices, recent data suggest that far more could be done in this regard."



# A CHALLENGE OF PERSPECTIVE

By Rick Barrett  
Agriculture reporter

**W**ith the closing of the National Cheese Exchange in Green Bay, dairy farmer Darin Von Rudin's life won't be the same.

The exchange was his nemesis. In his eyes, it represented everything that was wrong with the farm milk pricing system, and he believes the system has caused the failure of thousands of family farms.

When cheese exchange prices plummeted last fall, it triggered a chain reaction that cut farmers' monthly milk checks by nearly a third.

Exchange prices were used in calculating the Basic Formula Price for manufactured milk, which determined what farmers were paid.

Von Rudin organized a one-day farm milk strike in January and led protests at the state Capitol. He urged legislators to regulate the cheese exchange, which he said was manipulated by a handful of big dairy companies such as Kraft Foods.

Von Rudin's picture and wrathful quotes were in newspapers across the country.

In short, the cheese exchange made him a celebrity. But when the exchange stopped trading Friday, ending its 40-year history in Green Bay, Von Rudin said he was glad to be rid of the fame it brought him.

The 29-year-old dairyman from Westby is cautiously optimistic about the future.

"It can't be any worse than what we have been through," he said.

Beginning Thursday, the nation's wholesale cheese trading will take place at the Chicago Mercantile Exchange. Farmers and cheese traders agree it

## Many observers think Chicago-based cheese trading will be improvement



File photo

Darin Von Rudin, a dairy farmer from Westby, has been a regular farm protester at the state Capitol, criticizing the National Cheese Exchange in Green Bay. Von Rudin and other farmers said the cheese exchange was manipulated by a few traders, driving down farm milk prices. The cheese exchange ended 35 years of trading Friday. It will be replaced by trading on the Chicago Mercantile Exchange, bigger and more regulated

is a good move, since the Mercantile is a bigger, more sophisticated trading environment.

"It's less likely to be manipulated," Von Rudin said. But the question remains: Will farm-

ers get fatter milk checks with the end of the National Cheese Exchange?"

Probably not in the foreseeable future, dairy economists say. "From the farmers' perspective, I don't think they are going to notice

much difference," said Larry Salatahe, a U.S. Department of Agriculture economist in Washington. Salatahe and others point out that, by law, the Department of Agriculture must use a measurement similar to the cheese exchange when calculating farm milk prices. Also, switching cheese markets won't necessarily end price volatility.

"We will still have people screaming when prices go down, blaming it on the traders in Chicago," said Gary Frank, economist for the UW-Madison Center for Dairy Profitability. The cheese exchange was just one of about four factors used to set milk prices. And while the switch to Chicago means buyers and sellers of bulk cheese will still have a trading center, the Department of Agriculture has yet to decide exactly what it will use to replace the cheese exchange in its milk pricing formula.

The Department of Agriculture might use Mercantile prices in calculating its Basic Formula Price, or it might use a weekly survey of wholesale Cheddar cheese prices. "We are shooting for early May to make the decision," Salatahe said. Regardless of which way the decision goes, backers of the Mercantile say moving the nation's cheese trading from Green Bay to Chicago is a relief.

"If nothing else, it removes the cloud of criticism that Green Bay operated under," said Jerry Dwyer, a dairy commodities consultant in Chicago. Trading at the Mercantile will work like this.

Every Thursday at 1:15 p.m., trade brokers representing cheese buyers and sellers will meet in what's called the "Trading Pit." Trading will be in Cheddar blocks

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## A dog's life



## If big-stock party

# Exchange

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and barrels in contracts of 40,000 to 44,000 pounds.

Offerings and bids will be posted on a chalkboard, the way it was done in Green Bay, unless there is enough trading to warrant electronic posting.

"I think there will be enough volume for that to happen," Dryer said. "We saw more traders at a cheese trading practice session in Chicago last week than we did at the regular sessions in Green Bay."

Buyers and sellers will remain anonymous in the Mercantile trading sessions, unlike Green Bay, where company names were posted on the chalkboard.

By remaining anonymous, there is less chance of a buyer or seller being influenced by a competitor's decisions. It will encourage new companies that previously were concerned about disclosing competitive information when trading in Green Bay.

Brokers will be on telephones with their clients during trading sessions, getting instructions on whether to buy or sell.

"It's not that much different than the trading at Green Bay," Dryer said. "But the rest of the world can watch trading as it happens, blow by blow."

Normal trading sessions will

still last 30 minutes.

"But if anyone wants to make a bid that changes prices, trading continues as long as necessary," Dryer said.

About 25 companies participated in last Thursday's practice session at the Mercantile, compared to roughly a half-dozen that normally traded in Green Bay.

"I am convinced the Mercantile will bring more players to the table," Dryer said. "People from outside the industry are going to see the opportunity to make money, and that is going to help keep the market in balance."

Unlike the National Cheese Exchange in Green Bay, where trading was unregulated, the Mercantile has its own legal and regulatory monitoring division.

"The market is going to reflect supply and demand. That's reality," Dryer said. "But the Mercantile's oversight will bolster confidence in the integrity of trading."

Still, the trading will not be directly regulated by the federal Commodity Futures Trading Commission (CFTC), and that troubles some groups such as Wisconsin Farmers Union and the National Farmers Organization.

"Without CFTC regulation, there is no guarantee that dairy farmers will be free of the price manipulation and trading practices that plagued the National Cheese Exchange," said Bill Brey, Wisconsin Farmers Union presi-

dent.

The Mercantile Exchange must implement trading several days a week, embrace regulation by the CFTC and introduce electronic trading in order to be considered a fair cheese pricing option, added Gene Paul, National Farmers Organization president.

Already, the Mercantile is indirectly regulated by the Commodity Futures Trading Commission through its brokers, said Errol Baxter, the Mercantile's commodities marketing director.

"All of the brokerages are regulated whether people realize it or not," he said.

But the Mercantile might turn out to be the National Cheese Exchange under a different name, said U.S. Sen. Russ Feingold, D-Wis.

"I am concerned about that," he said. "Now that the National Cheese Exchange has closed its doors, our top priority should be to make sure the new market in Chicago does not replicate the problems of the old one."

Feingold said he will urge the Agriculture Department to avoid linking farm milk prices with the Mercantile trading before it's determined whether the new market is reliable and not prone to manipulation.

Even that might not be enough, Von Rudin and other farmers say.

"What we need is a pricing system that doesn't rely on end products such as cheese," said Jim

Heisner, a Mineral Point dairy farmer. "Far too much attention is paid to cheese prices."

The government should get out of dairy pricing, Von Rudin added, including using cheese prices to set farm milk prices.

Last November, farmers experienced the biggest one-month price drop in history despite the fact that retail dairy prices were rising. Wholesale milk prices plunged from \$15.37 per hundred pounds (about 12 gallons) in September to \$11.61 in November.

"It's time for the government to get out of pricing," Von Rudin said. "It has done more harm than good."

Ultimately, the National Cheese Exchange might be vindicated as having been a reliable market that received a bad rap, Dryer in Chicago said.

Overall, dairy farmers received their highest prices ever in 1996. It was the sudden and unexpected plunge in the fall that brought attention to the National Cheese Exchange.

Dryer followed cheese exchange trading in Green Bay for 30 years.

"Despite all of the criticism of Green Bay, it pretty much reflected supply and demand," he said. "But if nothing else, moving the trading to Chicago will be good for the cheese industry's psyche. The Mercantile plays by a strict set of rules. It isn't going to let anything get out of line."

# Shop talk

Continued from Page 1E

pet stores, not supermarkets.

Operating under the catchphrase of being able to feed just about any critter, "from earthworms to elephants," Mounds carries more than a dozen brands of dog food including its own.

two dogs inside. Rulison thought she had seen everything until she learned the driver just happened to own a limousine service.

Before starting his own business, Mack, a dairy science graduate from UW-Madison, worked as a district sales manager for Ralston Purina for 10 years. Mack's original store, near the current Middleton location at 8311 University Ave., sold pet food along

not sell pets. Instead, it works with the Dane County Humane Society to institute weekend events that showcase animals available for adoption.

While interest in pet ownership continues to rise, competing with warehouse-sized pet stores is difficult for owners of small pet shops, according to Jo Terrich, who owns Park Street Pet Supplies at 2020 S. Park St. and has

# Stocks

Continued from Page 1E

tractive from a market-growth standpoint, Chalassani said, while retailers and consumer stocks have fallen enough to make them good buys.

For short-term investors, however, shifting to small stocks is not the proper strategy, Kaufman said, because when big stocks finally give up, they will drag the entire market down.

"The second tier does not go forward when the first tier retreats."

Instead, Kaufman believes that once big stocks begin to wither, investors should raise cash or turn to alternative investments. Bonds, for example, should show better returns if the Federal Reserve continues to raise interest rates, which many believe it will.

Abby Joseph Cohen, Goldman



AXLEY

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Has Been Na



January 22, 1997

Al,

A surprise development in our discussion about the National Cheese Exchange. I suspect you saw the "old boys club" story in The Country Today. I received a copy from Richard Gould on January 17.

What's new is the story about the January 3 trading in The Milkweed. I'm not sure if you're familiar with it but it's a monthly tabloid published at Brooklyn, WI. by Peter Hardin, the gadfly of the dairy industry.

I'll let you put your own interpretation on what Hardin's story says about the NCE being "an old boys club." You might want to subscribe to The Milkweed. It has things you won't read anywhere else (and he has not been sued out of business). The address is Box 10, Brooklyn, 53521. The cost is \$30 per year or \$50 for two years or two copies.

*Ray Mueller*  
Ray Mueller

**Report's author says:**

# National Cheese Exchange is 'truly an old boys club'

Tomah

The National Cheese Exchange is an oddity in the world of trading, says Willard Mueller, University of Wisconsin-Madison professor emeritus and an author of the 200-page report on the cheese exchange published last March.

Few people outside of Wisconsin — including market analysts — have heard of the National Cheese Exchange, Mr. Mueller told 60 Wisconsin Farmers Union members attending a Jan. 8 winter conference in Tomah.

"The exchange is unique in that it has very few traders. Not only are there very few traders, but they're the same group of traders. It's truly an old boys club," Mr. Mueller said.

The National Cheese Exchange has 40 members, but five companies accounted for more than 90 percent of the trading on the exchange from 1980 through 1996, he said.

Not only does the NCE have few members, but the exchange is thinly traded, Mr. Mueller said. In over half of the trading sessions between 1988 and 1993, no blocks of cheese were sold, he said.

He also 90 percent of the price changes on the exchange were made without any actual sales of cheese, but from either offers that were not covered or bids that were not filled.

Another oddity of the exchange, Mr. Mueller said, is that companies which are normally buyers of bulk cheese — such as Kraft, Borden and Alpine Lace — sell more cheese on the NCE than they buy, while

dairy cooperatives are the major buyers on the exchange.

"The world is sort of turned upside down. The manufacturers of cheese are buyers on the exchange, and natural buyers of cheese are sellers," he said.

Since August 1986, Kraft — the largest buyer of bulk cheese

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***"I think there is widespread belief that the National Cheese Exchange is fatally flawed. It's an institution that facilitates collusion."***

**— Willard Mueller, cheese exchange report author**

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— has been only a seller on the exchange, Mr. Mueller said. He said Kraft uses the exchange to market cheese when it has no other buyers, and is selling cheese at a loss.

"I think that is one of the darndest indictments you can have of a market — a market that determines the price of bulk cheese all over the country and is the major drive of prices in the whole Federal Milk Marketing Order — that prices are determined in a distressed market," he said.

While most cheese companies do their trading in the spot market off the NCE, the price of cheese on the exchange is used for determining the basic formula price for milk.

Mr. Mueller supports the proposed creation of a cash cheese auction on the Coffee, Sugar and Cocoa Exchange. If that auction is created, Mr. Mueller said the days of the National Cheese Exchange are numbered.

Although Mr. Mueller and the other researchers found no evidence of expressed collusion among NCE traders, Mr. Mueller said he did not expect to find documents indicating violations of antitrust laws.

"I think there is widespread belief that the National Cheese Exchange is fatally flawed. It's an institution that facilitates collusion," he said.

Most exchanges operate more openly with more traders. According to Mr. Mueller, the NCE brings in only \$25,000 a year in revenue.

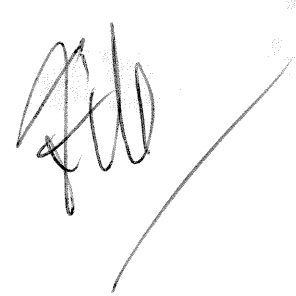
"It's obvious that the exchange is there for some other reason than to buy and sell cheese. It doesn't support itself," he said.

Mr. Mueller said he has been subjected to threats of corporate libel suits. He credits the university and the Wisconsin Department of Agriculture, Trade and Consumer Protection for standing behind the findings of the study.

—Lorry Erickson

THE COUNTRY TODAY

January 15, 1997





ADC is an ostensibly successful dairy co-op with a firm grip on milk supplies in its core operating

based organizations are volume-stressed as dairy's "critical mass" contracts in that region.

## Exchange Traders Argue over Jan. 3 Trading Action

Emotions ran high at the National Cheese Exchange on January 3, 1997. No, protesting farmers weren't misbehaving. Cheese traders were in an uproar over the transaction which topped out block Cheddar prices at \$1.2800 per pound. Word is that some traders argued until they were purple in the face. And several traders—including biggies like Kraft General Foods and Schreiber stomped out, professing not to honor the \$1.28/lb. final price that day.

What happened?

Bidding and sales pushed up the market for 500-lb. Cheddar barrels from a starting point of \$1.1775 to \$1.2400. Some 16 carloads of barrel Cheddar were sold at \$1.2400/lb. in three separate transactions.

Carloads of 40-lb. Cheddar blocks started the day at \$1.1875, and increased on offers to sell up to \$1.2500/lb. in quarter-cent increments, without any actual sales taking place. Offers of block Cheddar remained on the board for some time without any action taking place.

face, slow movements, unkempt look; feeling sad, hopeless discouraged; negative thoughts (no one cares); physical problems (sleeping disorders, decreased sexual interest, headaches), guilt and low self esteem. In worst case situations, the WI ag department warns of signs of suicidal interest.

Over the years, Wisconsin's state government has turned its back on the dairy farmer's true needs. "Reform" of the state's century-old tax system is a joke—dairy farmers continue to be hammered with highest school/property taxes in the United States. On cheese-pricing issues, Governor Tommy Thompson has bent over backwards to kiss industry giant Phillip Morris Cos. (Kraft's parent). Phillip Morris Cos. is Wisconsin's largest employer. On numerous instances, Thompson vetoed consumer and farmer interests in the recombinant bovine growth hormone issue, boosting Monsanto's fortunes.

Enter Dennis Wyssbrod of Dairystate Brands. Wyssbrod says he wanted to test the market. So he retracted his offer of blocks at \$1.2500 and reoffered two cars of 40-lb. blocks at \$1.2800/lb. That offer was three cents higher than the previous offer—something which isn't usually done at the NCE. To the surprise of many, AMPI North Central's trader on the floor popped out of his booth and bought Dairystate's two carloads! Pandemonium erupted.

Why? Wyssbrod broke decorum by bumping up his offer up three cents in a single jump, rather than putting out and retracting offers in quarter-cent bumps. But the real focus of NCE directors' consternation is with AMPI North Central, for having bought at \$1.2800. AMPI is being called on the carpet.

A long NCE directors' meeting followed trading on January 3. Dick Groves, publisher of *The Cheese Reporter*, tells that it was well after 1:00 p.m. that afternoon when NCE officials finally posted that day's prices.

Richard Gould, NCE president, acknowledged that the directors have questions about AMPI covering the offer at \$1.2800. The NCE directors have scheduled a meeting with AMPI North Central officials for Thursday, January 23, to review the matter. "It's not resolved, not done yet," Gould stated. Adverse weather on January 10 and a national cheese industry meeting on January 17 have postponed NCE board review of the issue until the 23rd.

Gould carefully reminded that use of the so-called NCE "opinion" for weekly cheese prices is a creation of the cheese trade press, not the Exchange itself. How the press may report NCE "opinions" and how the industry may use NCE weekly prices are beyond the control of NCE's directors, Gould stated.

One long-time cheese industry figure remembers that one time during 1996's rapid cheese price hikes, Dennis Wyssbrod did a similar move: hiking cheese price offers by a nickle all at once. But at that time, the industry merely bid up the commodity in quarter-cent per pound increments until the bids to purchase met Wyssbrod's offer to sell.

Up, down or sideways ... if there's controversy at the NCE, Wyssbrod is usually close by. One humorous anecdote: years ago, found Wyssbrod buying and then selling the *same* carload of cheese in the same day, at a profit of about nine cents per pound. Afterwards, he was admonished by a trader, "you can't do that." "Why not," Wyssbrod reportedly answered, "I just did."

Butter Nonfat Dry Milk  
(Central States Grade A "Mostly")

AA--\$ .9000 (+11)	\$1.1800 - 1.2000
A----.8000 (+3.5)	(NC) (NC)
B----.7900 (+4.5)	
AA--\$ .9000	\$1.1900 - 1.2000
A----.8000	(-1)
B----.7900	
AA--\$ .9000	\$1.1500 - 1.1800
A----.8000	(-4) (-2)
B----.7900	
AA--\$ .9000	\$1.1100 - 1.1500
A----.8000	(-4) (-3)
B----.7900	

**the farm business**  
with Ron Curran

# Cheese Exchange: Much To-Do About Nothing



About a year ago, UW researchers Willard Mueller and Bruce Marston released a study purporting to show that Kraft cheese manipulated prices on the National Cheese Exchange from 1988 to 1993. The authors asserted that this manipulation lowered the wholesale price of cheese, enabling Kraft and other buyers to procure milk at \$150 million annually less than they would have paid without the manipulation.

Shortly after the report was released, UWEX ag economist Ed Lesse calculated this alleged manipulation may have cost Wisconsin dairy farmers seven to 14 cents per hundredweight annually. For a Wisconsin farmer milking 50 cows averaging 5,000 pounds of milk, this works out to \$625 to \$1,050 per year.

I'm amazed any dairy operator could stand up straight faced and claim this supposed manipulation is responsible for their financial straits. Someplace, I think they misplaced a couple of decimal points (and maybe a whole lot more). It's always easy to blame our problems on someone else, and if you're picking targets, who could be better than Kraft and the Green Bay Cheese Exchange?

Since the report's release, despite frequent press coverage and numerous investigations, no regulatory agency is pursuing action against Kraft. So, what went wrong with the UW research?

First and foremost, the evidence was circumstantial. Acknowledging there was no conspiracy involving other traders at the Green Bay Cheese Exchange, and having no smoking gun such as a repentant executive admitting wrongdoing, the researchers used statistical analysis to back up their claims. This is dangerous, since interpreting statistics is not a finite science. It is often dependent on the observer's biases.

Where I feel Mueller and Bruce really got bogged down was in their analysis of how Kraft was allegedly able to manipulate the market because they could unload volumes of cheese large enough to depress the exchange prices, and that Kraft traders were known to have greater market knowledge than traders employed by the co-ops.

First, love them or loathe them, some co-ops trading on the Green Bay Cheese Exchange are Fortune 500 companies. To believe these co-ops couldn't come up with enough cash to buy whatever cheese Kraft ever offered to sell in Green Bay flies in the face of all rationality.

The second point, that Kraft traders were known to have greater market knowledge than other members of the exchange, and simply by their actions could intimidate other traders to follow their lead borders on the ludicrous. For this to be true, the co-op's traders would have to possess a special blend of stupidity and laziness.

Demand for cheese (and all dairy products) varies within a tight range from year to year. If there is an imbalance in the supply and demand for cheese, the correction takes place on the supply side. And, with over 80 percent of U.S. dairy products marketed through co-ops, and these patrons served by a network of co-op-paid field personnel, no one has a better grasp of supply information than the co-ops and their cheese traders.

If a Land O' Lakes' cheese exchange representative wants to find out how yesterday's weather affected production in Arizona, he only has to call the procurement manager at United Dairyman of Arizona (the co-op that handles the bulk of that state's milk) and find out how today's pickups are. And, if the alfalfa crop in eastern Iowa isn't looking very healthy this spring, the co-ops will know this information weeks before Kraft's people would read about it.

And perhaps the most important point: What would Kraft gain by lowering the wholesale price of cheese, anyway? If Kraft could lower the price they pay for product versus their competitors, that would be valuable. But, lowering the price everyone pays for cheese accomplishes virtually nothing for them. The main winners from a lowering of product prices would be more generic marketers (supermarkets selling their own brand labels). And, these are Kraft's competitors.

**Fallout from report**

As mentioned above, after having researched the UW report, no federal agency is investigating the cheese exchange. Although cynics claim this is all a major cover-up orchestrated by powerful forces within the cheese industry, the truth probably lacks the conspiratorial romanticism of this theory.

Whenever Republicans are in control of the White House, an attitude of laissez faire (noninterference in commerce) pervades government. When Democrats are back in office, the dogs of Hades (in the form of government lawyers) are unleashed on large U.S. businesses and the numbers of antitrust, securities violations and noncompetitive trade suits increases exponentially.

For those who think government investigators backed off from Kraft because of its size and power, it's time to wake up. Being able to make a case against a Phillip Morris subsidiary (one of Senator Dole's major campaign donors), would make a Democratic lawyer's whole career. Arguing that the same Democratic-controlled Justice Department that is taking on Microsoft is intimidated by Kraft is laughable.



# Clausing pushes for milk pricing changes

MADISON

"We need long-term solutions to reform the federal milk pricing system so unfair trading practices are not allowed to manipulate the price of milk," said Senator Alice Clausing of Menomonee.

Clausing submitted her comments to U.S. Department of Agriculture Secretary Dan Glickman during a public comment period which ended March 31 on delinking cheese prices from the federal dairy pricing formula.

The current dairy pricing formula uses the price of cheese on the National Cheese Exchange (NCE) as a key determining factor for the price farmers receive for their milk. The NCE has been criticized for unfair trading practices that led to a drastic 25 percent drop in milk prices last fall.

Recently, the NCE, which is located in Green Bay, announced it will close down on April 25, and cheese trading will move to a new cash market on the Chicago Mercantile Exchange (CME). Cheese Exchange officials cite Senator Clausing's Fair Milk Price bill as a major reason for relocating to Chicago. Clausing initiated her bill to regulate cheese trading activities and prevent unfair trading.

Clausing remains committed to government oversight of cheese trading to protect farmers' interests. "Moving

cheese trading to another market, like the CME, provides no guarantee that price manipulation will end. Since the NCE was unwilling to play by the rules in Wisconsin, there must be federal oversight."

Senator Clausing, who chairs the Senate Committee on Agriculture and Environmental Resources, made recommendations to Secretary Glickman for both short-term and long-term replacements for the NCE in the Basic Formula Price system for milk.

In the short-term, Clausing suggests that the USDA:

- prohibit unfair trading practices with the intent of manipulating milk prices;
- require anonymous cheese trading to eliminate undue influences that large cheese corporations can have on the activities of other traders;
- require substantially increased trading hours and days over the current one-half hour weekly trading sessions of the NCE;
- establish a price "floor" that would close trading if price fluctuations exceed a five cent rise or fall each day;
- provide or enhance Commodities Futures Trading Commission (CFTC) regulatory oversight to ensure that trading is not geographically centralized, concentrated in the hands of a few buyers or sellers of cheese, and cash markets are not manipulated.

"We can not allow the NCE price manipulation scenario to resurface on the Chicago Exchange," stressed Clausing. "We need government oversight to stop price manipulation. I am right across the border, and I plan on finishing what I started with the Fair Milk Price bill."

Clausing also urged Secretary Glickman to implement long-term solutions to the Basic Formula Price for milk. Clausing recommends weekly cheese plant price reports to determine the price of milk. The new format would include mandatory cheese reports from plants so the federal government and the public would have immediate access to complete cheese price data. Clausing's plan also includes prices paid for "spot" transactions, or sales that occur when traders may have too much or not enough cheese to satisfy their needs.

"The federal government must establish a broad and fair method of determining prices," Clausing said. "Obtaining more information from a variety of sources to include in a new milk price determining mechanism will ensure that a single flawed cash market will not unduly influence prices, as the NCE did last fall."

USDA approval of a new Basic Formula Price and modified milk marketing orders is set to be completed by the end of the year.

105F 4-11-97

APR 2



# New milk pricing method still a mystery

RAY MUELLER  
GREEN BAY

What the U.S. Department of Agriculture "will hang its hat on" for setting minimum prices for milk, starting on May 1, is still an unknown but whatever method is chosen is likely to track very closely with price patterns of recent years, dairy industry analysts predicted during the 1997 Wisconsin Cheese Industry Conference. Current minimum prices have a 90 percent or more correlation with the prices on the National Cheese Exchange, which will close after its April 25 trading session.

There will be "no surprises," because the other potential pricing methods have been running very close to the NCE — often a bit lower in the Western States and a bit higher in the Midwest, says Kevin Hintzman of the National Agricultural Statistics Service. "There is no crisis here" despite the uncertainty on what method will be chosen to set minimum prices for the first announcement scheduled for June 5 (for May milk), he believes.

USDA Secretary Dan Glickman has the authority to use "equivalent prices" for setting the minimum prices, currently known as the Basic Formula Price and relying on the NCE as its foundation, federal milk marketing order 30 (Chicago Regional) acting administrator Jim Hahn assured the cheesemakers. That equivalent could be cheddar cheese plant prices being collected by NASS in a special project this spring, the cash cheese prices from the Chicago Mercantile Exchange (to which the former NCE market is moving), or a dairy product price formula which resembles the monthly updates currently being created with information gathered from manufacturing plants in Wisconsin and Minnesota. Hahn pointed out.

The NASS project, authorized by the 1996 Farm Bill, intended to identify a "statistically defensible price" and available as a cross check on NCE prices, is largely documenting "what the public already knew," Hintzman suggested. "We're getting down to the price for bare cheese and don't want any trucking costs in it."

From January of 1994 through June of 1996, the wholesale prices (with no transportation costs considered) received



**REBUILDING BFP** — Two of the cheese industry conference panelists offering an outlook for rebuilding a basic formula price for milk were Mike Brown of National All-Jersey Inc. and Kevin Hintzman of the National Agricultural Statistics Service. (Photo by Ray Mueller)

by Cheddar cheese plants approximately split the slight differences between the NCE and Wisconsin assembly point prices, Hahn reported. "There are regional differences but they track pretty well."

Those findings will conflict with some political promises that milk prices would rise if the NCE were removed from the milk pricing mechanism, USDA chief economist Larry Salathe noted. "I won't promise higher prices. Maybe the USDA Secretary will."

Both Salathe and Hintzman cited U.S. Senator Arlen Specter (R - Penn.) as one of those promising higher milk prices, questioning the numbers NASS is collecting, and pressing for an announcement on what the new pricing mechanism will be. "The USDA will resist

Congress threw the task of changing milk marketing orders to the USDA and authorized the creation of a Northwest Dairy Compact. With the springing up of other "milk cartel" proposals and the concerns about preserving family farms, Salathe predicted dairy topics will be on the table for at least two more years despite the five-year length of the 1996 Farm Bill.

Hintzman challenged the claims by Sen. Specter that wholesale cheese prices were really \$1.49 per pound during a week this year when the NCE price for 40-pound Cheddar blocks was \$1.32. While pointing out that the NASS figures for that week are not yet ready for public release (although they have been supplied to Secretary Glickman and the Agricultural Marketing Service), Hintzman noted they were "a lot closer to \$1.32 than to \$1.49. We have to correct Specter."

The NASS figures are being collected from 64 Cheddar cheese plants that produce at least 1 million pounds of cheddar per year, Hintzman reported. There were 207 Cheddar cheese plants in 1996 with 112 of them producing 1 million pounds or more.

Because of the very tight specifications NASS set for being eligible to take part in the weekly voluntary reporting of wholesale prices they receive, 41 of the 112 did not qualify for the survey, Hintzman pointed out. Among the practices which did not qualify for the NASS survey were the production of aged cheddar, packing and wrapping operations, and making internal use of all the cheese produced.

Seven of the eligible plants refused to take part in the survey and two have yet to make a decision, Hintzman added. The seven who refused account for about 80 million pounds or 3 percent of the annual U.S. Cheddar cheese production. The plants which took part in the survey that was completed for the week ending March 7 produced 13.5 million of the 50 million pounds of Cheddar cheese made during the week.

NASS intends to gather the data for eight weeks for its current project and to publish it every Tuesday or Wednesday for the previous week, Hintzman said. He called the overall cooperation by cheese

plants "good" and "outstanding" in the West. The prices are broken out for four separate regions, including California, the West, and Wisconsin/Minnesota.

The search for a minimum pricing mechanism is in the hands of the USDA because Congress deferred on making a decision after dairy producers and processors could not reach a consensus, Hahn emphasized. He noted this has been true since 1990 and even earlier.

No national pricing agreement seems near nor is there much likelihood on an industry consensus to share in the premiums for the 37 percent of milk that goes for fluid milk sales — high percentages in the south and East and very low in the Upper Midwest, Hahn continued. Mid-Am's Wilson and Harold Schild, general manager of Tillamook County Creamery in Oregon, agreed, however, that having the industry and USDA set minimum prices is greatly preferable to having politicians do it.

Despite the general concerns about regional price disparities, Hahn stressed that "effective prices" or "mailbox prices" (actual net payments to dairy farmers) are much closer, thanks to Upper Midwest premiums and how hauling costs are handled. He reported the average 1996 mailbox prices as \$17.38 per hundred for Florida, \$15.11 for the Southeast, \$14.53 for the Chicago Region, \$14.22 for New York-New Jersey, \$14.18 for Texas, \$13.52 for the Pacific Northwest, and \$12.90 for New Mexico-West Texas.

Milk pricing alternatives were also reviewed by a study committee of dairy economists from throughout the country, including Bob Cropp of Wisconsin, and was convened by the Agriculture and Food Policy Center at Texas A & M University. Center director Ron Knutson said the committee set criteria of having a new pricing system serve for at least 10 years, be easy to understand, be geographically uniform for a national market, and reflect the prices for cheese, butter and non-fat dry milk.

Twenty-two of the original 35 options were eliminated by those criteria, Knutson reported. Among the points considered for the remaining options were seasonal or annual product yields, make allowances, and production weighting, he added. Other overall considerations were striving for price stability and for an

agreement between prices and stocks of manufactured products.

Among the general schemes for pieking a pricing alternative to today's Basic Formula Price were a survey of competitive pay prices for Grades A and B milk at manufacturing plants in Wisconsin and Minnesota, a product price formula (for plant income) minus processing costs (based on the California model), an economic formula that considers items such as feeding costs and consumer income (a method that would be difficult to understand), and not having a basic pricing formula while allowing the USDA to determine the value of milk components, Knutson explained.

Surviving as one of the "two best options" was using seasonal yields and the California "make allowance" (manufacturing costs) for cheese, butter, and powder, Knutson reported. "But this price would have been lower than the Minnesota-Wisconsin Series and Basic Formula Price for 1991 to 1996."

A second acceptable option was to put a price on all milk components and including a cost-based make allowance, Knutson continued. "This was more stable than the M-W until we got to 1996." For 1991 through 1995, this method would have put prices both lower and higher than the M-W highs and lows, respectively, taking out some of the M-W's volatility, the analysis showed.

Other conclusions of the study were that Grade B and A prices paid for manufacturing milk "were not always logical with stock amounts," actual "transaction prices" would be better than the NCE because they lead rather than lag, and that separate Class III-A prices for non-fat dry milk should be eliminated because they distort (lower) the value put on cheese, Knutson pointed out. "I say it does not make sense to dry milk and use it to make cheese." He noted NFDM is used to make 50 percent of soft dairy products and 12 to 15 percent of the Italian cheeses.

"All prices followed the NCE, although there were some that didn't want to admit it," declared Milk Brown, general manager of National All-Jersey Inc. at Reynoldsburg, Ohio. He said milk pricing should be designed for its manufacturing value from the components rather than as "a whole entity."



# Move to bring SB-2 out of committee killed in Assembly

JAN SHEPEL

MADISON

Supporters of a measure that would prohibit certain practices at the National Cheese Exchange suffered a setback this week in the Assembly when their effort to pull the measure out of the Joint Finance Committee was stymied.

On Tuesday (March 18), a coalition of farm, consumer and rural groups backed Rep. Tom Springer, (D-Mosinee) as he went to the floor of the Assembly and asked for a vote to pull Senate Bill-2, the cheese exchange bill, out of the Joint Finance Committee. It has been languishing in that committee since it was passed overwhelmingly by the Senate January 30.

Following Springer's motion to bring the bill out of committee, Assembly Speaker Ben Brancel (R-Endeavor) moved to table any action. The tabling motion passed on basically a party-line vote. There were also two Democrats who voted to table.

"We believe the tabling motion was made because opponents of the measure

didn't have the votes to defeat the bill," said David Nispel, legislative director for the Wisconsin Farmers Union. "But it's easy to vote for a motion to table. It's an easy out."

Among those who voted to table, Nispel added, were six GOP representatives who signed on as co-sponsors of SB-2. He concludes they were told how to vote by the Republican leadership in the Assembly.

"It's not a Democrat or Republican thing," he said, "it's just a political fact of life that if they vote against the wishes of their party leadership they will find their own ideas and bills hibernating for a long, long time."

He also concedes that there is the sincere argument that the committee process should be respected – that if one motion to pull a bill out of one committee is passed, it will trigger a wave of such motions for a host of bills. But Nispel said

See SB-2, page 14



# Assembly Speaker tables action on Senate Bill-2

**SB-2, cont. from page 1**

this type of action is reserved for special cases and he feels this is one.

Nispel and other Capitol observers feel that GOP legislators don't want to allow a vote on the bill because that would put Governor Tommy Thompson in the position of having to make an unpopular decision — either by vetoing it, which

would be unpopular with some farmers or signing it into law, which is opposed by cheese interests in the state.

"I've been told by people who work for the Governor that he would not take a position on SB-2 until it reaches his desk," said Nispel, "but Wisconsin Farmers Union believes signals are being clearly given."

The bill, if passed, would prohibit trading against interest at the cheese exchange.

During the brief debate Tuesday on Springer's motion, opponents of SB-2 said that the National Cheese Exchange is leaving Wisconsin anyway, so the bill is unnecessary. (Some legislators said the exchange will pull up stakes by May and leave the state.) Nispel said he doesn't buy that argument.

"We're supposed to back off? We're supposed to wait while more farmers go out of business? What harm does this bill do if the cheese exchange is gone?" he said. "It could still stop those practices from occurring while the exchange is here."

Another argument that came up on the floor of the Assembly was that the federal Commodities Futures Trading Commission would "ride to the rescue like the cavalry," said Nispel. He called that a red herring.

"I can't believe some people are actually saying the federal government will be the cavalry," he said, adding that the federal government has not been known for taking positions that are advantageous to Upper-Midwest dairy producers.

The coalition that tried to bring SB-2 to the Assembly floor includes Wisconsin Farmers Union, National Farmers Organization, Wisconsin Rural Development Center, Wisconsin Citizen Action (a consumer group), Midwest Equip-

ment Dealers Association, Wisconsin Snowmobilers Association and Wisconsin Independent Businesses, Inc. In a press conference earlier Tuesday, representatives of those groups said they wanted to force the issue because the reality is that the budget bill will take precedence over any other bill that the Joint Finance Committee will contemplate.

"If the bill were to get into the Assembly Agriculture committee, it would get debated," Nispel said.

It was referred to the Joint Finance Committee because estimates on the cost of administering the bill were wildly divergent. The Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) estimated it would cost the state \$411,000 to administer the bill. The non-partisan Legislative Fiscal Bureau estimated that it will cost only \$43,500 to enforce the measure.

Any expenditure over \$100,000 cannot be considered by the Senate or the Assembly unless it first gains approval of the Joint Finance Committee.

Supporters from the various groups have been heavily lobbying the Assembly for weeks, pushing for the bill's debate and passage. They vow this latest setback won't deter them. Nispel said the issue was a huge one with Wisconsin Farmers Union members at their annual

meeting in February.

The coalition is working hard to get the bill debated because it was such "slam dunk" in the Senate with the 28-18 passage, Nispel said. "To continue the basketball analogy, it was not a last second shot that won the game by a point."

Another supporter of the bill, rural activist Mark Kasstel said he was "disappointed but not surprised" by Tuesday's Assembly action.

"I just wonder why in the Senate it was a question of almost universal support for farmers and all that changed when it came to the Assembly," he said.

"The dirty work that was done by the DATCP with the contrived fiscal note became effective when the bill went to the Assembly," he said. "It's wrong."

"The sad part is that we don't have any grave philosophical argument with the Republicans when they say the solution needs to be a federal one. We agree with that," Kasstel said. "Or when they say this bill will do nothing to raise the price of milk to farmers. We agree. Farmers know that very well — no it won't raise the price but it will mitigate the damage in the country. While this isn't THE answer it is symbolic."

"What would be wrong with giving the farmers a victory. We win so few battles out there," Kasstel said.





## Eye of beholder

To the Editor:

Country Today  
3-26-97

The March 12 edition of The Country Today had a great deal to absorb with its editorial letters and rebuttal stories from dairy industry leaders and farmers who feel negativity is a primary reason Wisconsin's dairy industry is losing farmers. But negativity is in the eye of the beholder.

Pete Knigge, Don Storhoff, Debra Van Dyk, Al Ott and others did not come right out and call Wisconsin farmers whiners when they discussed the industry in their March 10 round table discussion. But by claiming our negative attitudes are a primary reason for our financial ills, one can read between the lines quite easily. True, Wisconsin does have farmers like Stoughton's John Arneson and Lake Mills dairy farmer Bob Topel. They should be commended for their bright outlook.

But Mr. Topel, whether you realize it or not, in your remarks to cold negative farmers, you uncovered the reason for this pervasive attitude. You said "producers must know their cost of production." Thus the basis for the negativity. Many farmers do know their cost of production — and it's definitely more than \$11, \$12 or \$13 per hundred. Mr. Topel, if you

by and can produce milk for these unjust low prices — take a bow and take what your milk buyer says is all they can pay.

But for the growing number of farmers tired of being forced to walk an economic tight rope because of that "inefficiency," remember negativity is a two-way street. Who is being negative with insistence that farmers should not have the right to dictate their economic security?

More farmers are finally realizing they deserve more for their milk and while these farmers are considered regressive, I strongly disagree. These farmers are progressive trailblazers!

In response to the March 1 editorial by Kay Kruse-Stantor while she feels a core group of farmers continually write letters critical of the dairy future, I wonder if we would not see a similar core of farmers, a.k.a. our Mr. Knigges, Mr. Topels and so on writing letters proclaiming strong future for Wisconsin's dairy industry as our numbers continue to decline. How often do editors of these papers check the consistent number of auction bids in their publications? If this is progressive agriculture, good luck maintaining your circulation.

**WAYNE TREDINNICK**

Fennimore



# Milk reforms give hope to lawmakers

ARM

**Under one of the options identified as beneficial to state farmers, the changing differentials would be replaced with a nationwide rate of \$1.60 added to market prices**

By Bob Vitale

Post-Crescent Washington bureau

WASHINGTON — Federal agriculture officials unveiled six potential looks Friday for a revamped national milk-pricing system, and Wisconsin lawmakers immediately seized upon two as most beneficial for dairy farmers in the state who have long complained that the system is stacked against them.

Under one of the plans, a series of price differentials that grow with a farmer's distance from Eau Claire would be replaced with a flat rate nationwide. Another would lessen the current differentials, which now range from \$1.20 to \$4.18 for every 100 pounds of milk sold.

"There are plans on the table we can work with, and I'm encouraged we have a chance to finally get some fairness into our pricing system," said Sen. Herb Kohl, who along with other Wisconsin lawmakers has been pushing Agriculture Secretary Dan Glickman to even out the difference between low milk prices in the upper Midwest and higher prices in other regions.

Glickman was ordered by Congress in its 1996 Farm Bill to reform the federal government's milk-pricing system, known as milk marketing orders. In December, his department unveiled its ideas for reducing the number of pricing regions nationwide from 32 to 10.

Lon Hatamiya, administrator of the department's Agricultural Marketing Service, said the latest proposals "continue the dialogue that has already begun regarding federal milk order reform."

Officials will now take public comments on their latest proposals; Congress wants reforms in place no

later than April 4, 1999.

The pricing options spelled out Friday contain a number of new ideas.

Under one of the options identified as most beneficial to Wisconsin farmers, the changing differentials would be replaced with a nationwide rate of \$1.60 added to market prices. It would create an identical minimum price nationwide for all fluid milk, which is the milk sold for drinking.

The other Wisconsin-friendly option would set a \$1 nationwide differential, but a credit would be added to the price to reflect the cost of transporting milk to the nearest of several high-demand areas around the country. Differences would remain between prices paid to Upper Midwest farmers and those in other regions, but they would not be as severe as the current system.

Other ideas advanced by the Agriculture Department would:

- Offer a \$2 differential per 100 pounds of milk sold in places such as Wisconsin, where more than 30% of it is manufactured into cheese and other dairy products, while increasing the differential in areas where more is sold for drinking.

- Set a \$1.60 differential that increases depending on how the milk is used.

- Impose a \$1 differential that increases to reflect transportation costs in different regions.

- Set a \$1.60 differential in surplus milk regions such as the Upper Midwest, with higher amounts elsewhere.

Both Kohl and Wisconsin Sen. Russ Feingold said some of the later options would do little to change the system and simply use new criteria to justify higher milk prices paid to farmers in the Southeast and Northeast.

But a month after Kohl, Feingold, other Wisconsin lawmakers, Gov. Tommy Thompson and a group of state dairy farmers spent more than an hour laying out their complaints to Glickman, the two senators said the list of milk-pricing options shows he was listening.



ployee. She refused his proposition. The governor, somewhat abashed, dropped his pursuit. That was that.

Three years after the incident, Jones

*Kilpatrick is a syndicated columnist who writes on legal issues.*

was afraid to take any public action for fear of losing her job.

This is a flimsy thesis. Her job was never in jeopardy of any sort. Far from being punished for her blow to the governor's vanity, Jones received regular raises in pay. She left state service on her own accord. The governor never

constitutional rights. The results are being litigated in federal courts.

Mind you, I am not defending the president's conduct. Assuming the truth of the allegations, I would regard his conduct as indefensible. All I am saying is that bad conduct and unconstitutional conduct are not all the same thing.

## ctor, more

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Jane Vanderbosch, Madison

## Kinsella he knows n't fit profile

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## YOUR OPINION

*We welcome letters of 200 or fewer words on matters of public interest. Letters are subject to editing; not all can be run. Please sign and include your address and phone number; names and hometowns will be published. Send letters to:*

**Letters to the Editor, Wisconsin State Journal, P.O. Box 8058, Madison, Wis., 53708.**

Although active production stopped in 1975, the Badger plant has managed to sustain an extraordinary chemical spill record. Under the management of Olin Corporation, Badger recorded 56 spills during the 13-year period from 1979-1992, an average of less than five per year: 47 tons of concentrated sulfuric acid in April 1979; 37,000 gallons of nitric/sulfuric acid on Nov. 2, 1984; 13,000 gallons of dilute sulfuric acid and sludge on Aug. 4, 1988; 5,000 gallons of number two fuel oil on May 1, 1991; 102,400 gallons of alkaline water on Nov. 5, 1991 — but we don't want to make the Army blush.

Their record as the biggest, most expensive clean-up in the history of the state of Wisconsin is unparalleled: Environmental remediation at Badger may cost as much as \$250 million tax dollars.

The environmental legacy outside the Badger plant is noteworthy as well: Our grandchildren will inherit a three-mile-long plume of contaminated ground water that will take at least another 85 years to dissipate.

The Army is right, their record is exceptional, an important consideration given the Badger plant's proximity to Devil's Lake State Park, the Baraboo Range (a National Natural Landmark), the Wisconsin Riverway, Parfrey's Glen, Nature Conservancy lands, Wisconsin Power and Light wetlands and the Ice Age Trail.

—Laura Olah, executive director, Citizens for Safe Water Around Badger, Merrimac

## Farm lobbyist says he was victim of Republican smear campaign

By Mark Kastel

Every time the family farmers of Wisconsin stake out a policy position in support of our business and way of life, we run into the same thing, a fight with corporate agribusiness and more often than not, the Republicans.

In recent years, the lines were drawn over the fight for the farmer's right to label their products "rBGH free" and to crack down on illegal discrimination against small dairy farmers (paying large farms more for their milk — "volume premiums"). In their attempt to regulate the National Cheese Exchange, it appeared that overwhelming condemnation of large cheese traders, like Philip Morris/Kraft, for robbing dairy farmers by manipulating the market, would assure wide bipartisan support.

In fact that was the case in the Senate. When Menomonie Democratic State Sen. Alice Clausing's "Fair Milk Pricing" bill (SB2) was voted on, it passed by a better than 5-to-1 margin. I appreciated that my own Sen. Brian Rude, R-Coon Valley, co-sponsored SB2 and has spoken on its behalf.

It has been a very different story in the lower house. The bill has been hijacked by the leadership of the Republican Party.

After the bill passed the Senate and moved to the Assembly, Speaker Ben Brancel, R-Endeavor, referred SB2 to the Joint Finance Committee headed by fellow Republican and past Thompson aide Scott Jensen, R-Waukesha. Jensen has publicly stated that he will not hold a hearing on the bill at this time.

Without a hearing by Joint Finance, our hope to put an end to the hanky-panky on the Cheese

*Kastel is a farm policy analyst and president of M.A. Kastel & Associates, La Farge.*

## GUEST COLUMN

Exchange is dead! These Republican leaders are siding with the agribusiness lobbyists who are robbing hard-working dairy families and shutting them down.

After recently helping to organize a rally of farmers at the state capitol to put pressure on these political leaders, I have been the victim of a campaign to discredit me in the agriculture community. The State Journal gave extensive coverage of Brancel's diatribe describing me as a media hungry "lobbyist" and his denial of the \$100,000-plus Republican leadership accounts have received from interests fighting the regulation of the Cheese Exchange.

Well, I am a lobbyist. A "people's lobbyist." Unlike the lobbyists from Philip Morris who have funded the campaigns of my critics, I have never worked with an organization that has contributed one cent to a Wisconsin politician.

I am, however, flattered that I am so threatening to some that a full campaign would be developed in an effort to reduce my effectiveness. This included phone calls from the governor's office to farm leaders' homes in an effort to discontinue my involvement.

The State Journal played along perfectly by running an editorial attempting to downplay our analysis of money flowing from the cheese and agribusiness concerns to the politicians in question.

The farmers and citizens of this state are starting to wake up to the fact that we need real campaign finance reform. We can afford public financing of campaigns... we can no longer tolerate or afford our interests being sold out to corporate interests.



cess supplies.

A new round of price cutting by major fast-food chains apparently had yet to put a dent in the inventories that accumulated late last year and into the early weeks of 1997. Six carloads of offered barrels went unsold during the latest exchange trading session.

Milk supplies are reportedly building slowly across much of the country. The exception is in Florida and other portions of the South, where hot weather has placed an early top on the spring flush. The USDA reported that Florida, which had been shipping surplus milk north during February, had started importing milk during the first week of March.

Both Grade A and AA butter rose a penny a pound March 7 at the Chicago Mercantile Exchange.

# Dairy Officials Say Attitude the Problem

By Joel McNair  
Agri-View  
3-13-97

Dairy farmers and the media that cover agriculture in Wisconsin need an attitude adjustment if the state is to climb out of its dairy doldrums. Industry leaders said this week.

Farmers and the media are focusing on minor issues, these officials complained during a state capitol meeting arranged by Rep. Al

Ott (R-Forest Junction). These leaders told media representatives that such issues as the National Cheese Exchange, cost-of-production pricing, bovine growth hormone and volume premiums pale in comparison to the real challenges faced by Wisconsin's dairy industry.

"It seems like we're missing what the real significant issue is," said Don Storhoff, president of Foremost Farms USA.

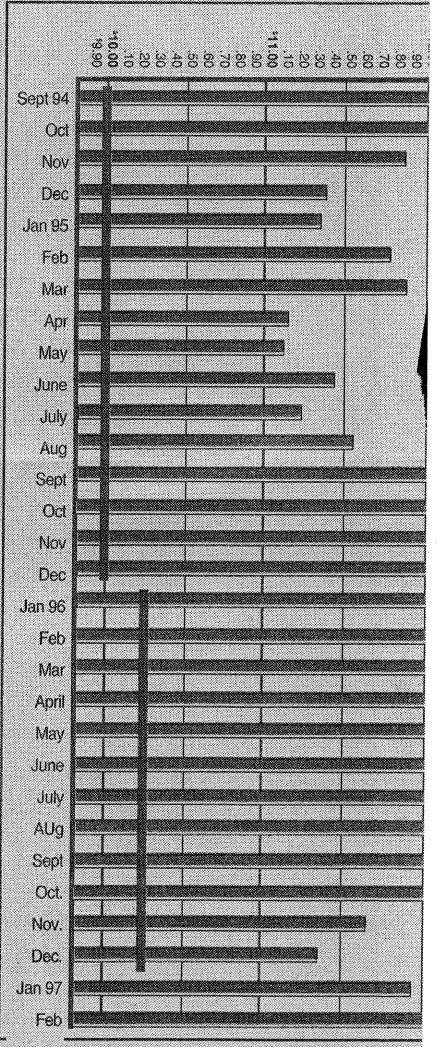
The real issue, Storhoff said, is rebuilding an industry that has been losing ground to competing states and dairy regions. Storhoff said that won't happen until farmers start focusing more on meeting the needs of their customers who consume dairy products.

Negative attitudes were singled out at a recent meeting of farm and ag leaders as the primary reason for Wisconsin's continuing decline in livestock numbers.

"For too long we have been quiet," said Deborah Van Dyke, legal affairs director for Schreiber Foods, Green Bay. "We look at the state of Wisconsin and see an industry that is in danger."

Van Dyke said that Schreiber has expanded its operations in Utah and

See **Attitude**, page 2



lousy weather since 1988.

- The University of Wisconsin and state ag department released a report last year suggesting that cheese price manipulation has occurred in Green Bay. The professors who authored the report also suspect collusion among several companies. There has been no serious follow-up to these findings.
- Stray electricity.
- As mentioned above, many of the magic keys to success have simply not worked for many producers. The final solution - major expansion - is beyond the means of many.
- Older dairy farmers can't find anyone to take over their operations.
- Trade agreements that find little favor among dairy farmers are nevertheless signed. Dairy leaders then go back to the masses and make up reasons for why these deals will make us all rich.

This list may only scratch the surface. Certainly, thousands of Wisconsin dairy farmers have succeeded in the face of all these obstacles and are truly optimistic about the future.

See **Milk Pail**, page 2



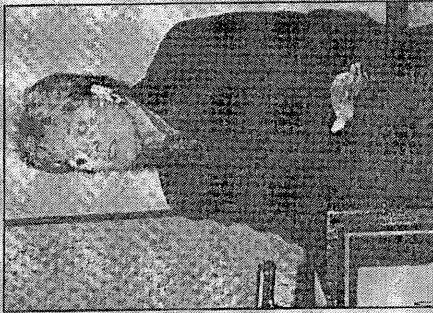
# Legislators address effects of cheese exchange bill

*Urge people to consider "the big picture" before supporting bills*

GLORIA HAHNMEISTER  
FOND DU LAC

Members of the five-state legislature assembly districts as well as Carol Buettner, state senator in the 18th District, were on hand to discuss a variety of topics at the recent Fond du Lac Farm Bureau legislative conference. More than 60 Farm Bureau members from across the area attended the event to express their concerns about current issues and hear the legislators' views.

Several of the legislators commended the Farm Bureau for not taking a stand on the controversial cheese exchange bill. While on the surface the bill may give the appearance of being beneficial to dairy farmers of the state, the legislators at this conference as well as the Farm Bureau continue to believe the issue is one that needs to be handled at a federal level, and passing state legislation regarding companies trading against interest on the National Cheese Exchange in Green Bay would not solve any of the pricing

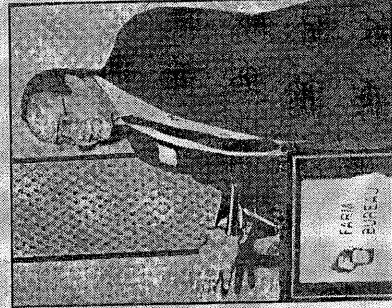


STATE SENATOR  
CAROL BUETTNER

problems currently being faced in dairy-ing. Sen. Buettner admitted she was one of five senators to vote "no" on the issue. She defended her vote by stating it is more important that the organizations within the state show a united front in encouraging the federal government to deal with pricing issues and creating a level playing field.

Rep. Al Ott, representing the 3rd Assembly District, urged farmers to take a serious look at issues before taking a stand and consider how passage of certain bills will affect the entire dairy industry as a whole in the state. "If we're not careful to take on a serious honest debate about the industry as a whole we will destroy the industry in the state," he stressed.

He continued, "We send our kids to school to get better educated so they can be successful in the dairy business and then we paint a negative picture and carry a negative attitude about the future of the dairy industry. This destroys the industry



REPRESENTATIVE AL OTT

as a whole." Ott further added he believes there is a dairy industry crisis in the state because farmers and their organizations still do not work together. He believes the volume premium rule is a situation that is apparently backfiring on Wisconsin dairy farmers who supported legislation making it illegal to pay volume premiums above the actual benefit level experienced by the processor. He said if other states do not have similar legislation, plans will lure milk away from large producers in Wisconsin and ship it over the state lines which is not good for the dairy infrastructure that keeps Wisconsin a strong dairy state.

Rep. Carol Owens expressed sympathy for those farmers who are hurting because of low milk prices, but noted all the political hype that took place when farmers claim if themselves together in the state capitol as a protest to the pricing situation has blurred the issue. "I gave my card to some of these people and told them to come to visit me when they were finished. Some of them did and we met in the privacy of my office and dis-

TV cameras around us." Rep. John Dohyrs was also concerned about how the media blew the issue out of proportion, adding he resented the fact that bills were being held hostage in the Senate because the assembly didn't want to support the bill regarding trading against interest on the cheese exchange. He said the politics of the issue have made it a bit more complicated in working together to address the real issues.

Dan Poulson, state president of the Farm Bureau, acknowledged there is a current crisis in the infrastructure of the state's dairy industry. He said, "We need to understand what is all involved and remember we need to work to change the federal system." Poulson mentioned the Farm Bureau's position remains. "Milk should not be

priced by the sale of cheese at the National Cheese Exchange in Green Bay." In accordance with policy, the WFBF Board of Directors, acting on a recommendation from its dairy advisory committee, supports the recommendations of the Governor's Task Force on Cheese Pricing and legislation that makes trading against interest illegal, provided cooperatives are allowed to work together on behalf of producers and with the realization that the NCE is a national exchange and should be regulated nationally (ideally by the Commodity Futures Trading Commission). He also said the WFBF is active working with the Upper Midwest Dairy Coalition and congressional delegates to achieve federal dairy policy reform for the benefit of Wisconsin farmers.

# Legislators, dairy leaders fear negativity damaging industry

## Madison

One key to turning the dairy industry around may be as simple as an attitude adjustment.

That was one of the few agreements reached during a meeting arranged by three state legislators who brought together dairy industry leaders on March 10. The purpose was to address the damaging negativity surrounding the Wisconsin dairy industry.

Meeting participants included producers, processors, marketers and media representatives. All agreed negativity is hurting the industry, but questions of who is to blame and how exactly to go about changing the perception were left largely unanswered.

Positive leadership and telling the positive side of the dairy story were suggestions raised to curb the attitude problem.

"We have to take the initiative, and we can't do that by sitting in a chair complaining. Before your ship comes in, you have to send it out," said Lake Mills dairy farmer Bob Topel.

The industry has to tell the story to anyone who will listen, Mr. Topel said. "We can't save everybody because everybody isn't savable. Some don't want to be saved. You can only throw them so many life jackets," Mr. Topel said.

"Perception is sometimes an attitudinal problem," said John Arneson, a dairy farmer near Stoughton. Some producers have

blinders on and do not see how they can improve their own management practices, he said. "No matter how they manage they think they should be guaranteed a milk price. No other industry has a guaranteed price," he said.

Mr. Arneson's wife, Darlene, said "a lot of people don't care until they get the milk check in the mail." When meetings and seminars are held to help producers improve management skills that would make them more efficient and profitable, they do not attend, "but they'll go to the neighbor's auction," she said.

Mrs. Arneson expressed displeasure with "a certain group who slams co-ops and big producers because they feel threatened." Cooperatives are run on producer investments, so "we get a little defensive when they slam things that plan for our future," she said.

Cooperatives are often viewed as the enemy, but Mr. Arneson said members have a considerable say in how they are run. To voice a concern, all it takes is a phone call or a letter to the member's director, he said. The director then takes it to the board meeting where it is addressed, he said.

The processors agreed the state's dairy industry is seeing a tremendous transition. But other states benefit when Wisconsin can't pull together to fight the battle, said Foremost Farms USA President Don Storhoff. The industry spends all its time deal-

ing with internal issues, allowing other regions to establish and expand their industries. "Frankly, (other regions) are becoming very, very concerning in the marketplace," he said.

Larry Lemmenes, Alto Dairy Cooperative president, said Wisconsin has a solid infrastructure, but is in jeopardy of losing it.

"We have a tremendous infrastructure that we need to protect and uphold," Mr. Lemmenes said. "It's fact, Wisconsin is a good place to produce milk, but we have to make sure we don't get so wrapped up in minor problems that we give the perception we're no longer the leader and no longer a suitable place to dairy. We're the best place to dairy."

"For too long we've been quiet," said Debra Van Dyk, director of legal affairs for Schreiber Foods Inc. Her company is concerned about where the Wisconsin dairy industry is headed. In fact, it has expanded outside Wisconsin six times in the last 4 years. "That alone illustrates our concern," she said.

There was considerable discussion about the media's role in promoting negative attitudes. "If you read the newspaper, you'd think Wisconsin is at the bottom of the list for (milk) prices," said meeting co-host Al Ott, R-Forest Junction, the Assembly Agricultural Committee chair.

The truth is when all 32 federal milk marketing orders were studied, Wisconsin ranks fourth

behind Florida and the Carolinas, Mr. Storhoff said. Minnesota is seventh.

Another sign that things are not as bad as they may seem is that farmers report paying more income taxes this year than ever before, said Pete Knigge, an Omro dairy producer and member of the Department of Agriculture, Trade and Consumer Protection citizen board.

"I've never seen so much venom and ill-will in letters (to the editors)," Mr. Knigge. "I can't do much individually about the basic formula price, but there's a lot I can do about producing more milk in the most efficient way possible. I challenge the press to look beyond what's easy to report."

Mr. Topel stressed that expanding isn't the only way to increase profit. "We need to somehow teach people you can get there one step at a time," he said. But to do this producers must know their cost of production, he said. He runs his operation and makes all management decisions based on a per hundred-weight basis.

Attitude also will impact tomorrow's farmers. "If we as farmers are telling our young people it's not a good profession, we only have ourselves to blame," said meeting co-host Sheila Harsdorf, R-River Falls. David Ward, R-Fort Atkinson, also helped organize the discussion.

—Janelle Thomas



# The Country Today

3/5/97

Newspaper That Cares About Rural Life      40 Pages      4 Sections      75 Cents

## Plan designed to reduce exchange's influence

### Green Bay

The government's approval of milk futures trading in New York likely will reduce the influence Green Bay's National Cheese Exchange has over prices paid to dairy farmers.

But it hasn't ended the debate over whether the state government should step in to further monitor the exchange.

The Commodity Futures Trading Commission announced Feb. 27 its acceptance of a plan by the Coffee, Sugar and Cocoa Exchange in New York to deal in milk futures contracts. Trading in Basic Formula Price milk futures will begin with the June 1997 futures contract, while trading in BFP milk options will begin on April 15, 1997.

The approval establishes close government scrutiny of the operations of the National Cheese Exchange in Green Bay, a cash market that might now leave the scene entirely.

A statement Feb. 26 by the National Cheese Institute, an association of cheesemakers, said "efforts are currently well under way to replace the National Cheese Exchange by May 1."

The state Legislature is considering several measures to regulate traders. In particular, a bill called SB 2 that overwhelmingly passed the Senate would ban "trading against interest" on the Green Bay exchange. Supporters have said the bill will end what

they suspect is price suppression by large corporations.

But Richard Gould, president of the National Cheese Exchange, said Feb. 28 that if a bill to regulate the exchange passes the Wisconsin Legislature, the exchange would cease to exist.

He called the measure "so onerous that no sensible company or co-op would even attempt to trade on the exchange. ... It is just an attempt to close down the exchange. The industry has found the atmosphere in Wisconsin is so hostile, they want to get out.

"Putting the cheese exchange out of existence is not going to improve the prices farmers receive for their milk. That is a total fallacy."

Rep. Ben Brancel, speaker of the Wisconsin Assembly and a former dairy farmer, said "I think the members of the cheese exchange feel as though the business climate in Wisconsin is so unfriendly that it isn't worth the bad publicity to stay here."

Rep. Tom Sykora, R-Chippewa Falls, said the CFTC's action Feb. 27 "makes SB-2 irrelevant."

Rep. Sykora said the federal regulation will diminish or even end the exchange's impact on milk pricing, replacing it with the more accurate measuring stick of a futures exchange.

"It's a different ball game," he said. "Futures trading takes into account the cost of producing

milk, and it takes into account retail prices."

But supporters of SB 2 say the bill is as important now as ever.

David Nispel of the Wisconsin Farmers Union said it may take as long as 2 years for last Thursday's federal actions to take effect.

"Our intention is to work as hard as ever on SB 2," Mr. Nispel said. "We're going to need state oversight until the plans that were announced actually happen."

Mr. Nispel said the changes proposed in Washington are the results of pressure from Wisconsin farmers, particularly the NFU and Wisconsin National Farmers Organization, as well as elected state and federal officials.

"This is no time to stop our efforts," he said.

Sen. Alice Clausing, D-Menomonie, the main sponsor of SB 2, agreed the fight for state oversight should continue.

"I believe we have a responsibility to prohibit unfair trading practices in Wisconsin," she said.

Sen. Clausing agreed state efforts have been the stimulus for federal reforms.

Mr. Gould said the exchange welcomed federal regulation by the CFTC and advocated reforms that would have the exchange's cheese prices removed as a factor the federal government uses in setting the basic formula price for milk.

See Cheese on Page A2



Photo by Steve Kinderman

biesz, left, and Sister 28 in Eau Claire. The bonated during a milk- aral cities through vari-

## hampers dairy

her than looking at 1996 as st year the dairy industry

boring dairy farmers go together in one operation." he said. "The



ver, cloning technology  
the potential of creating  
cells that could replace  
l or diseased ones in a  
ncreas, liver, spinal cord,  
e marrow, perhaps even  
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cer or other diseases, he

people are already run-  
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"We have companies  
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it might facilitate it."

rd Burgess, former direc-  
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ent will have long-term  
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f medical research.

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that are identical to a  
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until the day when this is  
a extremely high efficien-  
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mmercially, because it's  
be too expensive. I mean,  
; we have ways of gener-  
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ificial insemination, and  
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last decade or so have  
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they're not completely  
le. You can't assume that

every offspring of a prize bull and  
a good-quality cow is going to  
lead to a high-quality milk pro-  
ducer. There's still the genetic  
variability, because not every  
sperm in a prize bull is  
identical...so there's a certain  
amount of uncertainty. This would  
make it more certain, but if it's 50  
times more expensive, it won't be  
used."

A more intriguing possibility,  
Dr. Burgess said, is using the  
cloning technology to produce a  
genetically identical line of large  
animals, such as researchers  
already have with the highly  
inbred strains of laboratory mice.

"So theoretically this could be  
used to generate a herd of animals  
that were genetically identical and  
therefore would all respond simi-  
larly to the treatment. If you have  
a bunch of animals that are all dif-  
ferent, it's very hard to do that  
kind of experiment."

From a scientific standpoint,  
the sheep cloning success gives  
researchers clues in how to  
improve the process, and keeps  
alive hope for future progress, he  
said.

"Before, when nobody had  
done it, you didn't know if it was  
not possible, or whether you just  
hadn't found the right conditions,"  
he said. "Now that somebody's  
done it, you know that it's possible  
and you just have to understand  
the conditions well enough to do it  
with a higher frequency."

—Kevin Hagen

# BATTLE TO CONTINUE

## Cheese from Page A1

The CFTC's intervention can increase government surveillance of the Green Bay exchange, Sen. Russ Feingold said in a statement with fellow Wisconsin Democrat Sen. Herb Kohl.

The USDA sets the basic formula price farmers are paid for their milk by dairies and cheese makers.

Many farmers argue the National Cheese Exchange has too much influence over the USDA prices. The exchange meets briefly once a week and handles less than 2 percent of the nation's cheese trade.

Wisconsin dairy farmers have blamed the exchange's influence for helping depress the prices they are paid.

The criticism increased as raw milk prices fell from more than \$16 per 100 pounds last September to about \$11 in January.

A University of Wisconsin study accused Kraft Foods Corp., a major cheese buyer on the Green Bay exchange, of artificially depressing prices a few years ago by dumping its own cheese into the bidding.

Kraft and the exchange denied wrongdoing. The Federal Trade Commission reported last year it found no sign of antitrust violations.

The state has no authority over the exchange, Gov. Tommy Thompson told farmers who lobbied the state Capitol last year.

SB 2 sailed through the Democratic-controlled Senate but has been stalled in the Legislature's Joint Finance Committee. Committee co-chairman Scott Jensen, R-Waukesha, said he will not move the bill forward until farmers reach an agreement on whether they support the bill.

The Wisconsin Farm Bureau Federation has said federal oversight is the preferred method of dealing with the exchange. The WFU and state NFO support state oversight in addition to that of federal agencies.

Talk among cheesemakers about replacing the exchange includes possibilities of shifting to a cash-market agreement with the Chicago Mercantile Exchange or the Coffee, Sugar and Cocoa Exchange.

Gov. Tommy Thompson and a farm delegation visited the nation's capital in February, urging the USDA to stop quoting the Green Bay exchange.

—Dan Lyksett and The Associated Press

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# New cash cheese market planned

By Lee Melke

Cheese Market News reports that members of a joint committee between the NCE and the National Cheese Institute and the Chicago Mercantile Exchange are discussing creation of a cash cheese market.

Dairy Profit Weekly says such a market could be operational by May 1 at either the CME or New York's Coffee, Sugar and Cocoa Exchange, but probably won't happen until summer. The new exchange would be open 1 to 2 hours per day, 4 to 5 days per week, compared to roughly a half-hour trading session every Friday at the NCE. Approval of this new exchange would have to be granted from the Commodity Futures Trading Commission.

Unlike NCE trades that are public, trades on the new cash market would be anonymous, according to Linwood Tipton, president and chief executive officer of the NCI. He says more industry players are likely to participate, particularly those in California, Idaho and Washington.

Mr. Tipton defends the NCE, saying it has accurately reflected supply-demand conditions, and disputes findings of a University of Wisconsin study critical of the NCE. He predicts that as long as this or any new market is involved in setting the basic formula price, it will be criticized.

Dairy Profit Weekly's Carol James, who filed a report on "Dairyline Radio" on USDA's annual Outlook Conference, reported that Joseph Dial, com-

missioner of the CFTC, said while the broiler and hog industries have integrated the use of futures markets, he doesn't think dairy will until producers believe the government isn't going to bail them out. He also told Ms. James that the CFTC would NOT regulate the new cash cheese market, just as it does not regulate the Chicago cash butter market.

At a Feb. 26 meeting, Dairy Management Inc.'s board of directors approved a motion ratified by the boards of the National Dairy Board and United Dairy Industry Association, authorizing DMI staff to negotiate contracts to provide services, on a cost-recovery basis, to the National Milk Producers Federation.

The action is designed to save about a half-million dollars, according to DMI, and covers select accounting and administration, meeting planning, communications, shared office space between the U.S. Dairy Export Council and NMMP, and computer networks. All contracts would have to be reviewed by USDA and subject to audit.

NMMP President James Cameto said "costs will be cut by eliminating duplication but more importantly, this shows dairy producers that we are pulling together as a team to address the important issues the industry faces." Plans are under way to hold concurrent annual meetings for NMMP and the joint boards of DMI, NDB and USDA this December.

In a Feb. 27 "Dairyline Radio" program, John Adams, director of

# Supply worries send soybeans prices up

Chicago

Soybean futures prices soared above \$8 a bushel March 3 as the Chicago Board of Trade on a threatened strike by Brazilian port workers increased fears that

Agriculture Department last month predicted soybean supplies before the next harvest will fall to 20-year lows.

In the United States, severe flooding in the Midwest following

milk safety and animal health, reported on a meeting of the NMMP's Interstate Milk Shippers Committee. The committee addressed changes proposed by the National Conference on Interstate Milk Shipments.

Mr. Adams said the big question is maintaining the balance between federal and state inspection and review of farms and milk plants.

Up for consideration is whether to develop a new system of state field audits to do an in-depth review of state programs vs. the Food and Drug Administration coming in and doing "check ratings" on farms and plants directly. Through those check ratings, they would then determine whether the state was in compliance with the Grade A pasteurized milk ordinance.

"We have a real debate in front of us as to what system meets today's challenges in the marketplace as well as in terms of protecting the public health," Mr. Adams said.

He said one criticism of the current program is that when a state fails to carry out its program, in accordance with the PMO, the result often is that the industry loses its sanitation compliance ratings, both at the farm level and

at the plants. There's need for correction, he said, but "ultimately we want to be able to maintain the proper balance between federal and state (oversight) in this over-all program."

The dairy industry has a record to be proud of, as far as policing itself and monitoring drug residues in milk, and these proposals are designed to sharpen the program, but Mr. Adams said there are new challenges in protecting public health.

"Not only do we have to be concerned about drug residues," he said, "we have to be concerned now about emerging diseases of animals that could affect humans, and we have to be more concerned about some of the emerging pathogens that show resistance to drug treatment and therapy."

More importantly still, Mr. Adams said, is "what is enforceable, what is practical and what gets the job done with the least amount of resources... We must be able to protect the public health."

Milk production continues to struggle, as we reported last week, and psychological factors may push prices higher like last year. "Fears of not enough milk and not enough cheese later in the year will push the market higher," said Jerry Dryer, a market analyst.

## Dairy Market News

Madison

At the Chicago Mercantile Exchange on Friday, all grades of bulk butter were unchanged: Grade AA, \$1.15; Grade A, \$1.05; and Grade B, \$1.03. At the National Cheese Exchange in Green Bay, barrels were unchanged at \$1.28 and 40-pound blocks are steady at \$1.325.

U.S. cold storage holdings of butter on Jan. 31 total 21.7 million pounds, down 14.7 percent from last year, but 58.6 percent higher than the previous month, according to NASS. Natural American cheese holdings total 391 million pounds, up 13 percent from January 1996 and up 3 percent from December 1996. Nonfat dry milk holdings at the end of December totaled 71 million pounds, 44.9 percent higher than November 1996. Government holdings represent less than 1 percent of each category.

Revised U.S. annual milk production figures for 1996 total 154.3

# Call options i market better than corn sto

Madison

Wisconsin corn production for 1996 is estimated at 333 million bushels.

"This is almost 15 million bushels less than last year, and more than 20 percent below 1994 production," says Randy Fortenbery, University of Wisconsin-Madison/Extension grain marketing specialist. "Corn yields in Wisconsin were estimated to be 111 bushels per acre. Wisconsin yields in 1995 were 114 bushels per acre, and in 1994 were 141 bushels per acre.

"This situation is one which suggests that purchasing call options in the futures market may be a better strategy than physical storage of corn."

July futures closed recently at \$2.695 per bushel. A call option with a \$2.70 strike price for July was 13 cents per bushel.

"This is less than the physical storage costs through July, and assures you cannot lose more than 13 cents per bushel if prices actually fall," Mr. Fortenbery said. "If futures rally, the option will reward you in the same way physical storage would."

Since basis levels are relatively strong, it will take a futures rally to profit from storage this year, he said.

A big surprise in the USDA's 1996 final crop production estimates for the corn market are the stocks estimate and the revisions in domestic consumption and carry-over expectations, he said.

Corn stocks as of Dec. 1, 1996, were estimated to be about 6.9 billion bushels.

"This implies first quarter U.S.

# Monday livestock

South St. Paul, Minn.

Slaughter steers and heifers sold steady to \$2 higher Monday at the terminal markets, with direct trade not established on

feed	\$4.30
year	\$3.60
above	\$3.60
quar	\$3.60
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the e	\$3.60
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Fortenbery,	\$3.60
University	\$3.60
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# Revitalize ag

Mr. Tregoning said it going to happen this (ICP Marketing Division Director) Mark Liedl will responsibility of following this conference and this (initiative) alive. Agriculture is going to forward in Wisconsin."

Tregoning said he has Liedl to come forward to revitalize agriculture.

Books, a dairy farmer and one of the organizers, said the committee will select a

## Sought

decline in the number of farms is not a new problem. Problem is the entry rate has dramatically in recent years need to come up with for late-term farmers to and younger farmers to get business."

Way for young farmers to the business is through farming methods such as, Mr. Jackson-Smith thirty percent of entrants dairy business during the years have been graziers.

—Jim Massey

leadership team to review critical problems identified at the conference and determine possible solutions. Funding to implement action programs will be discussed and possible funding sources will be identified when the committee meets for the first time in late March.

The leadership committee will meet again in September and come up with a list of conference findings to be reported at the Governor's Agriculture Summit at a yet-to-be-determined date.

State Rep. Ben Brancel, R-Endeavor, said a key to getting legislative support for any plan the committee comes up with is industry unity.

"If the industry is united, (proposed) legislation will have a common focus," Rep. Brancel said. "It will take strong-willed people and unity to get something done."

The No. 1 problem identified by conference participants as standing in the way of the advancement of animal agriculture in Wisconsin was a negative attitude. Participants said farmers' attitudes will have to change before the industry can be revitalized.

—Jim Massey

## used on humans'

never, cloning technology have the potential of creating the cells that could replace aged or diseased ones in a pancreas, liver, spinal cord, bone marrow, perhaps even cells that are able to better cancer or other diseases, he

it people are already run-down those routes anyway,"

d. "We have companies that are going to sell cultured cells for the purpose of those kind of therapies. So this work would be so new in that respect, it might facilitate it."

every offspring of a prize bull and a good-quality cow is going to lead to a high-quality milk producer. There's still the genetic variability, because not every sperm in a prize bull is identical...so there's a certain amount of uncertainty. This would make it more certain, but if it's 50 times more expensive, it won't be used."

A more intriguing possibility, Dr. Burgess said, is using the cloning technology to produce a genetically identical line of large animals, such as researchers already have with the highly

# Bill's impact debated

## Madison

A group of Wisconsin dairy farmers and some state legislators disagree on whether a bill that would subject the National Cheese Exchange to state regulations would help state milk producers.

Backers of the bill, sponsored by Sen. Alice Clausing, D-Menomonie, say it would stop swings in milk prices caused by activities on the cheese exchange. But, others, such as Gov. Tommy Thompson and U.S. Sen. Herb Kohl, D-Wis., say the federal government could work better to remove the cheese exchange as an influence in the milk-pricing formula.

The state bill moved through the Senate on a 28-5 vote in January, but has stalled in the Assembly. Fourteen state dairy farmers protested the Assembly's inaction Feb. 26 at the Capitol in Madison.

Assembly Republicans said action on the bill would only give false hope.

"It's unfortunate that dairy farmers are being given false hopes about an immediate solution to the milk-price problem," said Rep. Al Ott, chairman of the Assembly Agriculture Committee. "Unfortunately, imposing politically-motivated state regulations on the cheese exchange here will only chase the cheese exchange around the country, and that won't help dairy farmers."

Pressure should continue on the federal government to eliminate the cheese exchange as part of the basic formula price and to regulate the exchange, said Rep. Sheila Harsdorf, R-River Falls, who is a dairy farmer.

Spokesmen from the National Farmers Organization and the Wisconsin Farmers Union said those organizations favor state regulation. The Wisconsin Farm Bureau Federation believes regulation must come from the federal government in order to be effective, said Paul Zimmerman, the Farm Bureau's director of governmental relations.

Kevin Keane, a spokesman for Gov. Thompson, said the governor has no position on Sen. Clausing's proposal. The governor has asked U.S. Agriculture Secretary Dan Glickman to remove the exchange from the pricing formula, he said.

# Battle to continue

## Cheese from Page A1

The CFTC's intervention can increase government surveillance of the Green Bay exchange, Sen. Russ Feingold said in a statement with fellow Wisconsin Democrat Sen. Herb Kohl.

The USDA sets the basic formula price farmers are paid for their milk by dairies and cheese makers.

Many farmers argue the National Cheese Exchange has too much influence over the USDA prices. The exchange meets briefly once a week and handles less than 2 percent of the nation's cheese trade.

Wisconsin dairy farmers have blamed the exchange's influence for helping depress the prices they are paid.

The criticism increased as raw milk prices fell from more than \$16 per 100 pounds last September to about \$11 in January.

A University of Wisconsin study accused Kraft Foods Corp., a



# Exchange not the problem

It's high-time for some intellectual honesty about the National Cheese Exchange. The exchange works quite well in setting cheese prices, and NCE prices track very closely with studies of Wisconsin assembly point prices. Producer milk prices would be no higher, on average, by scrapping the exchange. Moreover, no alternative offered thus far, would work any better, and some, futures markets, for instance, would probably work far worse in establishing benchmark milk prices.

The crisis over the exchange has made it very likely that it will not be used in a replacement to the Basic Formula Price. Yet even if a nationwide survey by USDA were to replace the NCE in a new weekly trades, some analysts say. That is not to say tracking cheese prices nationally is necessarily a bad idea, providing prices are audited, but the exchange will still be a driving force in milk pricing.

For those who don't like their milk price, the problem is not what happens in Green Bay each Friday morning. Looking at 1996, well over three-fourths of all trades were initiated by Mid-America Dairymen, Inc., Springfield, Mo., the leading player driving cheese prices to all-time highs last year. It wasn't Kraft that dominated the exchange, but a producer-owned co-op. And with prices at all-time highs, there was nowhere to go but down, particularly as cheese production, thus inventories, were rising three times as fast as cheese consumption.

Does the NCE have problems? Absolutely, but what market operates perfectly? There was a lot of volatility last year, but most of that was due to weather, sky-high feed costs, and sagging production. What happens on the Chicago Board of Trade and cash grain markets during weather scares? Surprise, surprise, volatile markets. Grain farmers are no less prone to suspect manipulation and price conspiracies than dairy producers, despite involvement of federal regulators.

Are there ways to improve the exchange? You bet. Electronic trading and other good suggestions have surfaced. But reform is almost always the preferred solution to any societal ill, not radical action. Downright haired of the exchange has been fueled by those who are exploiting short-term producer frustration for political ends. Particularly deserving barbs on this score are Wisconsin politicians of both political stripes: U.S. Sens. Russ Feingold, D, and Herb Kohl, D, and Gov. Tommy Thompson, R, who have neither been intellectually honest, nor responsible in their attacks. And former U.S. Rep. Steve Gunderson, R-Wis., did his own share of fanning the flames of the exchange fury. Industry factions would be well advised to think twice before they ask for something. This time it looks like they just may get it, and the cure very well could be worse than the supposed disease.

Dairy Profit Weekly Feb 17, 1997

# MONEY

8B

• Tuesday, February 18, 1997

# Cheese exchange seeks new site

By Rick Barrett

Agribusiness reporter

The often criticized National Cheese Exchange in Green Bay wants to set up a new cash market in a new location, possibly in New York or Chicago.

If that happens, the tiny exchange in Green Bay likely would be dissolved — ending a swirl of controversy surrounding it and farm milk prices.

Farmers and lawmakers have blistered the cheese exchange with criticism, saying it handles less than 2 percent of the nation's cheese, but heavily influences milk and dairy prices throughout the country.

Exchange members have threatened to pull the trading center out of Wisconsin if the Legislature passes a bill regulating the organization.

## Group has 60 days to relocate market

"We haven't voted to leave Wisconsin, but our members are looking at alternatives elsewhere," said Richard Gould, National Cheese Exchange president.

"The location wouldn't be important," added Deborah VanDyke, cheese exchange member representing Schreiber Foods in Green Bay.

Exchange members, including dairy companies such as Kraft Foods and Schreiber, have proposed folding the exchange into one of three established markets: The Chicago Board of Trade, Chicago Mercantile Exchange, or the Coffee, Sugar & Cocoa Exchange in New York.

The cheese exchange and the National Cheese Institute, in Washington D.C., have set a May 1 target date for establishing a new market.

"It will broaden trading opportunities and offer us capabilities that we don't have in Green Bay," said Don Storhoff of Foremost Farms in Baraboo, a member of the National Cheese Exchange.

A new system could put cheese trading under regulation of the federal Commodity Futures Trading Commission.

Farmers and lawmakers have sought that, saying the unregulated cheese exchange is easily manipulated by a handful of big companies.

Vandyke said she has no objection to oversight by the commodity regulators.

"It's public perception that has hurt us, and regulatory oversight would deal with the perception problem," she said.

The CFTC must approve a new market.

"It's a very ambitious timeline doing all of this in 60 days," Vandyke said. "But to continue, we are now will be detrimental."

Should one of the Chicago or New York exchanges refuse to pick up the cheese exchange business, it will pursue electronic trading and other measures to broaden its market.

"I think we would have to," Vandyke said.

Developing a new trading mechanism is supported by Kraft Foods, partly because it will decrease price volatility, company officials said.

"We are doing everything we can to make this happen," said Michael Mudd, Kraft spokesman.

"If we link cash cheese markets with futures markets, price volatility will be much more manageable."

The National Farmers Organization backs a new market mechanism because it's better than the current cheese exchange, said Ron Statz, NFO membership director.

"We have needed a better price discovery system for a long time," Statz said. "This isn't a total answer but it will have more credibility than the current cheese exchange."



# American pilots fight navy battle



Wisconsin State Journal January 31, 1997

# Senate votes to regulate Exchange

## Lawmakers: Action should spur milk-price reform

**By Mike Flaherty**

Legislative reporter

The Wisconsin Senate voted overwhelmingly Thursday to regulate the National Cheese Exchange in Green Bay, a move that supporters said would boost milk prices paid to farmers and push the federal government to reform America's milk pricing system.

Critics said the regulations would do nothing of the sort, but only provide farmers with "false hope" that state action could save them from falling milk prices.

In a 28-5 vote, senators agreed their action will provide a powerful message that Gov. Tommy Thompson can take to Washington next week when he visits Agriculture Secretary Dan Glickman to lobby for dairy reform.

"It is particularly appropriate that the first action we take this session is to help farmers who are the backbone of this state," said Sen. Majority Leader Chuck Chvala, D-Madison.

"Farmers need higher milk prices," said Sen. Alice Clausing, D-Menomonee, the author of SB-2. This will help them see those prices, she said.

At the center of the debate is the Exchange, a small office in the warehouse district of Green Bay in which some of the nation's major cheese makers and cheese buyers meet every Friday morning to buy and sell surpluses for cash.

Over the years, however, the small cash market has risen in prominence and is now used by the dairy industry to help determine cheese and milk prices. The federal government also uses the Exchange price to set a floor price for Grade A milk around the country.

A yearlong report by two UW-Madison agricultural economists ordered by Thompson concluded that the Exchange market is too small to be a good indicator of milk prices — and is so small that it can be easily influenced by large traders. Four companies accounted for nine-tenths of Cheese Exchange transactions — and Kraft Foods alone was involved in three-fourths of the trades, it said.

The investigation found no proof of wrongdoing, but found many instances when companies appeared to be "trading against interest" — buying cheese when they usually sell, or selling cheese when they should buy — and influencing cheese prices in the process.

Clausing said her bill would ban that type of trade, and prevent companies from manipulating cheese prices. Ultimately, she said, the result will be fairer — and probably higher — prices for milk.

State Agriculture Secretary Alan Tracy said before the vote that it will be extremely difficult, and expensive, for the state to regulate the national cheese industry, and even more difficult to prove in court that companies are cheating. "It cost us \$300,000 just to get the information to do the study," he said.

Further, said Sen. Bob Welch, R-Redgranite, one of the five who opposed the measure, "nothing will change because we pass this. The Exchange will just move to Chicago."

Wisconsin should keep the Exchange in Green Bay where "it can keep an eye on it," and focus its efforts on ways to reduce the impact the Exchange has on dairy markets. If it is to be regulated, the federal government should do it, he said.

The issue now moves to the Assembly, where leaders are skeptical of the measure. Assembly Agriculture Committee Chairman Al Ott, R-Forest Junction, says he'll "study" the measure.

The governor "has no opinion" on the measure, spokesman Kevin Keane said.

# Senate OKs rules for cheese exchange

By Matt Pommer  
The Capital Times

A bill that would regulate the National Cheese Exchange sailed through the Wisconsin Senate on Thursday. The 28-5 vote sent the measure to an uncertain fate in the Assembly, where the Republican leaders are cool to state regulation.

Under current federal regulations, the price of cheese on the National Cheese Exchange in Green Bay is a key factor in setting what price farmers receive for their milk. Prices paid to farmers have declined 26 percent since September.

Shortly before the Senate debate was to begin, agriculture department officials estimated the proposed regulation would cost \$411,000. That meant either the governor or the Legislature's Joint Finance Committee would have to attach an "emergency"

## Farm protest leader fears shutout

State and federal officials will limit to three the number of farmers who are to discuss Wisconsin dairy woes in Washington, D.C., next week with U.S. Secretary of Agriculture Dan Glickman, a farm protest leader said today.

Darin Von Rudin, a dairy farmer from Westby, said he was waiting to hear if he would be included in the meetings when he accompanies Gov. Tommy Thompson and a state delegation to meet with top federal officials on Tuesday.

Von Rudin has led a series of rallies in Madison of state dairy farmers who have been hit hard by a slump in milk prices in the last three months. He called the action to limit access to Glickman discouraging.

tag to the bill. Floor action was delayed.

Passage of spending bills before enactment of the state budget is limited by law.

Only the governor or Joint Finance Committee can attach the "emergency" tag on measures costing more than \$100,000.

Senate leaders found an alternative — having the nonpartisan Legislative Fiscal Bureau provide an estimate. The bureau said the bill would cost only \$43,500. Measures costing less than \$100,000 can get an "emergency" tag from the Senate Organization Committee. That tag came Thursday on a 5-0 vote.

Alan Tracy, the agriculture secretary, defended his agency's estimate. He said professionals put the numbers together.

In the debate, Sen. Bob Jauch, D-Poplar, said he would like an investigation of how Tracy's agency came up with it figure. He said the \$411,000 figure was either "gross incompetence or deliberate deceit."

Voicing against the bill were Republican senators Carol Buettnier of Oshkosh, Margaret Farrow of Elm Grove, Joanne Huelshman of Waukesha, Mary Panzer of West Bend and Robert Welch of Redgranite.

The Capital Times January 31, 1997



## In my opinion Keep soil-clean

By Rep. DuWayne Johnsrud

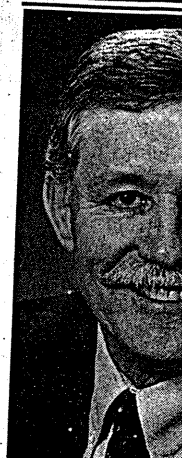
Over the past year a great deal of discussion and controversy has surrounded one particular soil-cleaning option being pursued by the Department of Natural Resources through its administrative rule process. The cleaning option is known as landspreading and consists of simply spreading excavated petroleum contaminated soil in suitable locations where natural soil microorganisms near the surface degrade the contaminants.

Landspreading of slightly contaminated soil is a safe and effective method of remediation when done within certain parameters. Moreover, it is a low-cost treatment option that should be allowed by the DNR.

It seems, however, that a fair amount of misunderstanding and erroneous information has been disseminated regarding this issue and the administrative rule. The unfortunate result is that a handful of townships and counties have passed resolutions and adopted ordinances limiting landspreading.

This DNR rule relates only to single-application landspreading that has been vigorously pursued in many other states, including neighboring Minnesota, Iowa, Michigan and Illinois. The results have shown the process to be safe and quite cost-effective.

Interestingly, the biggest opponents of single-application landspreading are those who view it as a threat to their bottom line. Some very large companies that own landfills have implemented a campaign to kill the landspreading rule because they make a profit by charging to accept the low-level contaminated soil and then save great sums



DuWayne Johnsrud represents the 96th Assembly District and chairs the Assembly committee on Natural Resources.

of money because they place the soil in a substitute for da-

Other concerns with this rule relate to the DNR Bureau of Remediation and Redevelopment prior to pursuing the application landspreading option. Yet a rule that the DNR Bureau of Management be notified 10 days prior to the landspreading activity is in place.

Opponents of land fail to recognize that the case with numerous options such as vapor bioremediation, asphaltation and thermal treatment mildly contaminated so-

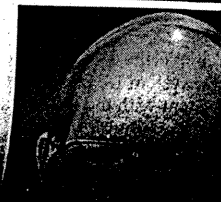
Further, a number of criteria must be ensured no environmental damage occurs from single application landspreading. These criteria cannot be written approval f

## Writer's notebook Maybe we're Snow

By Kevin Hagen

Sure, we live a long ways up North, especially if you believe the sign outside of Portage that claims that south central Wisconsin city is "the gateway to the North."

Check the map. Nice as it is, Portage is not what you would



Memories Of A Former Kid.

## A frustrating problem

If one word could sum up the mind-set of dairy farmers in the Upper Midwest and perhaps across the country, it would probably be frustration.

After enjoying record milk prices for a brief period last fall, dairy farmers have seen the price they receive for milk plummet by 25 percent or more. There has been plenty of finger pointing going on, with everyone looking for someone to blame. And recently, dairy farmers have been taking action to vent their frustration.

Some dairy farmers are closing their land to snowmobilers. It seems as if the farmers' action is a bit misdirected in this case. Snowmobilers obviously have nothing to do with milk pricing. It would be kind of like a public health nurse's office refusing to provide free or low-cost immunizations, expecting the disappointed patients to write to the governor's office to protest the Medicare reimbursement rates. Or insurance companies refusing to give free quotes on policies, in hopes that disgruntled policy seekers would write to the governor to demand changes to federal insurance industry regulations.

The farmers/landowners are obviously trying to get the attention of state officials, but unfortunately, the state government has no control over milk prices. It's a federal issue — and in the future, it will be less of a government issue at all. The feds are phasing out of the dairy business, along with the other commodity programs that have been supported by the government in the past.

Closing trails begs to create enemies of snowmobilers, not allies.

Other farmers are planning a milk withholding action, scheduled for today (Jan. 22). Organizers hope dairy farmers across the country will support the effort, and that it will draw attention to the farmers' plight. It could also quickly take some of the "surplus" product off the market, they say, and have a direct impact on milk prices.

A handful of farmers will likely make a statement by withholding their milk this week, but that number will undoubtedly be small. Things are so tight on the farm that most farmers can't afford the loss of even one day's income.

Still another effort is the new American Raw Milk Producers Pricing Association. Organizers believe if they could get 20 percent of America's producers to pool their milk, they could force dairy plants to pay higher prices. If enough farmers backed the effort across the country — and it can't be just in Wisconsin or any single region — such

a plan could have an impact. It's doubtful, however, that the grass-roots group will be able to get 20,000-plus names on the dotted line.

One farmer who called in this week suggested that dairy farmers ask for the help of Green Bay Packer superstar Reggie White, who is obviously the center of attention these days with the Super Bowl just a few days away. If dairy producers could get Reggie on their side, perhaps he could make people across the country aware of the farmers' plight, the caller suggested.

"Cheeseheads hurting," the headline might read. The Minister of Defense, as Reggie is sometimes called, has pulled off miracles before, so who knows about this one?

Heaven knows that everyone dependent on the dairy industry would benefit from higher milk prices. What would a stable, \$18 per hundredweight milk price mean to implement dealers, dairy equipment companies, AI firms, truck dealers and farm newspapers? Dairy farmers might actually have a few dollars to spend on something other than the bare necessities. There would be lots of smiles on lots of faces.

In today's free-market, supply-and-demand environment, there probably will be times like that in the future. Unfortunately, times like those never seem to last long enough. Producers of commodities not regulated by the government have become used to dramatic price swings — cattle, hog and corn prices have been up and down just in the past year. Those producers don't like the price volatility either, but they've come to accept it.

So what's the solution to this problem that is frustrating dairy farmers across the country? If there was an easy answer, the problem would have been solved decades ago. It obviously hasn't been.

We would be the first to offer an endorsement if the nation's dairy farmers all collaborated and came up with a grand plan to solve the pricing problem. But it's difficult to back one plan when there are four or five others with opposite goals.

It's not the government's job to help farmers receive a certain price for the milk they produce. The government doesn't prop up prices for grocery stores, gas stations, department stores or snowmobile makers.

Dairy farmers need to get together and come up with solutions to their own problems. Here's hoping it happens soon.

John Oncken

## CROSS COUNTY

# Meeting attendees not dwelling on dairy prices



Oncken

The 25 or so dairy farmers had just settled back into their chairs after finishing supper at the 21st Southern Wisconsin Dairy Herd Operators Seminar in Madison. These were the remnants of a group of about 40 dairy folks — half the group didn't stay for supper, they had to milk cows — who were participating in the Cooperative Extension-sponsored, 1½-day long high-level dairy management seminar. Dane County dairy agent Nolan Anderson suggested that it was time for the always anticipated free-for-all discussion that in past years had brought forth heated discussions about building dairy facilities, feeding cows and managing life.

For an hour or so, the group exchanged thoughts about the real business of milking cows for a living. About such things as how high can you logically pile and pack slage in a bunker silo and how much milking 200 cows in a parlor made for a better lifestyle and more time off than milking 100 cows in a tie-stall barn.

Not once during the evening (nor, for that matter, during the daytime programs) did the subject of the National Cheese Exchange or milk prices come up. No cussing or finger-pointing or threats of leaving dairying — just talk about the great future of dairying.

A week later, I sat in an audience of some 500 — mostly dairy farmers — in a Stevens Point motel conference room listening to a panel of dairy producers tell how they milked their dairy herds in low-cost milking parlors, grazing their cattle and making money. The audience took notes and listened attentively as the dairy producers who milked from 60 to 1,000 cows gave their thoughts on making money from dairying.

See ONCKEN, Page 6C



Danny Storlie (left) of Doyle Equipment Co., Wauseca, Minn., gives a sales pitch to Peggy Dunn, Jerry Hetzel and Cheryl Hetzel of Central Sands, Sales of Plainfield at the Wisconsin Fertilizer, Aglime and Pest Management conference at the Holiday Inn-Madison West.

JOHN ONCKEN

1/23/97 Capital Times

1997-01-23 11:45 AM



# Oncken

■ Continued from Page 1C

My conversations with dozens of farmers and a review of the 2½-day program at this biggest of all annual Wisconsin dairy conferences — the annual Wisconsin Grazing conference — encountered not one mention of the price of milk or the National Cheese Exchange.

A day later, at the Wisconsin Fertilizer, Aglime and Pest Management Conference in Middleton, conversations with suppliers from all around the state brought forth no conversation about milk or cheese prices. True, this audience was made up of the people who supply the fertilizers and pest management products to farmers, but they do have almost daily contact with dairy producers.

Three different meetings, three totally different audiences, one common theme among the attendees — optimism for the future of dairy farming and their place in that future.

How can that be? After all, the news headlines in recent months regarding dairy farming have pretty much emphasized doom and gloom, pessimism and confusion.

As always, the state of the economy always depends on who you talk to.

The first group — at the Dairy Herd Operators meeting — was made up of entrepreneurs . . . producers who had expanded their

once small dairy operations into family businesses. They operate with mechanized farmsteads, computers, consultants and economic acumen fitting of CEOs leading big companies. Which, of course, they really are.

This group looks at research from all over and figures out how to apply it. They attend high-level seminars held in Indiana, Florida, California or wherever. They visit successful operations coast to coast and are themselves speakers on programs at major dairy gatherings. They don't picket in the halls of government, they call government directly and government calls them.

The second group — the grazers — also attend seminars and read about new ideas and milk cows successfully. But their direction is different from the automation/big production/high input minded group of dairy producers at the first meeting.

This group seeks low input production — spend less with probably lower (much lower) milk sales. That's why they let their cows harvest the summer hay, spend less money for tillage and harvesting equipment, cut down on commercial fertilizers, may look intently at home schooling children and raising a variety of crops in their business enterprise.

Just because they graze cows on rotational pastures doesn't mean they don't have big dairy herds. Far from it.

About the only real difference between the two groups of dairy producers is the direction they take toward reaching their farming

and family goals. Yes, there is one visual difference that a friend at the grazing conference suggested.

"Have you noticed how many of the farmers in the audience had beards and wore suspenders?"

Yes, I had noticed, but didn't have a clue as to what this might mean. Neither did he.

Each group attends seminars and conferences for information on how to make money and live life. Individuals (I asked many) freely admitted that even more important is the fellowship, friendship and motivation they get from others in attendance.

The fertilizer and chemical dealers at their conference tell me the same thing. As one told me, "We come to find out what's new and different and how we're going to use or not use it in our business."

No one in any of the three groups wanted to talk about milk and/or cheese prices. Of course they are well aware of the publicity in recent months, but they are also aware that 1996 was actually a good year for dairying — if you did it right. And, that there is no absolute, 100 percent, guaranteed, forever path to success in the dairy farming business.

"It's up to the individual," they say. "That's why we are going the way we are going. That's why we made money in 1996, and will do it again in 1997. That's why we are attending these conferences."

*John Oncken is owner of Oncken Communications, a Madison-based agri-information and consulting company. He can be reached at 222-0624 or fax 222-7774.*

## Blizzards taking toll on cattle

By Jeremiah Gardner

Associated Press

BISMARCK, N.D. — William Willman has to use a chainsaw to cut his frozen hay into chunks to feed his cattle. But at least they're still alive.

On other ranches, cattle are believed to be buried so deep in the snow that their carcasses may not be found until spring.

"I'm lucky that my cows got it made better than anybody," Willman said. "Others are not doing so good."

Across the Plains, tens of thousands of cattle are dead or in danger of dying. Some have frozen in

reports of more than 12,600 cattle deaths in North Dakota so far this winter. The number is expected to be even higher in South Dakota.

Randy Volk, who farms near Shields, awoke one morning last week to find dead animals strewn across his yard and frozen to the ground.

"It's enough to make you sick," he said. "I would say they froze their testicles and that killed them, or else the snow rolled into their nostrils and they smothered."

Most of Volk's dead animals remained in the yard.

"I suppose the pigs will eat them, or the coyotes. We'll burn them if we can," he said. "One of

"It wouldn't be expected to have a major impact on the beef supply nationally," said Chuck Lambert, chief economist for the National Cattlemen's Beef Association. Even before the blizzards, beef prices had been rising.

Willman's 28 cattle have survived the ferocious winds and snow behind the shelter of trees on his ranch near Almont, in central North Dakota. But the gravel road leading to his cattle has been packed with snow since November. The two-mile walk to his cattle begins at an 8-foot gate that is buried in snow.

"I can't see the fence no more."

# USDA's Chief Economist Reviews Milk, Cheese Pricing Issues, Order Reform

Fort Lauderdale, FL--Milk and cheese pricing issues and federal milk marketing order reform were the focus of a keynote presentation at the US Dairy Forum here Thursday by Dr. Keith Collins, chief economist at the US Department of Agriculture (USDA).

Last year was a pretty turbulent year for dairy producers, dairy processors, dairy consumers, and for USDA also, Collins said. There were notable developments in the marketplace, and notable developments in the policy area -- such as enactment of the 1996 farm bill, and initial steps to implement the Northeast Dairy Compact.

In the marketplace, farmers faced record-high corn prices, extremely strong hay prices, high soy meal prices, and low cull cow and calf prices, Collins said. As a consequence, milk production was well below a year earlier for most of 1996.

For all of 1996, milk production is estimated at 154.5 billion pounds, about one billion pounds below 1995 (see related story elsewhere on this page). Not since 1989 has the US dairy industry experienced an annual decline in milk production as big as 1996's drop, Collins pointed out.

Back in 1989, when that drop occurred, the all-milk price went up \$1.35 per hundredweight. Also in 1989, the government was still heavily involved in making purchases under the dairy price support program, Col-

lins noted. Back then, USDA removed 9.4 billion pounds of dairy products (milkfat basis), mostly butter, from the marketplace.

Last year, when production fell, we didn't have that 9.4 billion pounds to sell back into the market, Collins said. No government surpluses were available, and so milk prices spiraled upward through September.

For all of 1996, USDA estimates that the all milk price will average \$14.75 per hundredweight, up \$2.00 from the previous year, Collins said.

Another chapter in this story opened when cheese and butter prices tumbled beginning in early October, (See Economist Reviews on Page 5)

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*Cheese Reporter 1/17/97*



# Cheese trading bill stalls

1-29-97

By Matt Pommer  
The Capital Times

A Republican move has stalled quick state Senate action on a bill to regulate the National Cheese Exchange.

The bipartisan bill was shuffled off Tuesday to the Joint Finance Committee after the Department of Agriculture, Trade and Consumer Protection estimated it would cost taxpayers \$411,000 to enforce.

In 1996 the department had estimated it would cost only \$2,700 to enforce regulation of the exchange through ag department rules.

Before the state budget bill passes, only "emergency" legislation can be enacted. On bills involving more than \$100,000, only the governor or the Joint Finance Committee can designate bills as "emergency" measures.

**The National Cheese Exchange at Green Bay is important because the prices of a 40-pound block of cheddar cheese there effectively determines the price dairy farmers across America get for their milk.**

Sen. Robert Welch, R-Redgranite, forced the bill to committee on a point of order. He suggested that the bill was useless.

Senators could do more good for dairy farmers if each bought a pound of mozzarella cheese on the way home, said Welch.

Senate Majority Leader Chuck Chvala, D-Madison, urged Welch to withdraw the point of order and allow the Senate to pass the measure.

"Do you want to let Kraft (Foods) and the Department of Agriculture frustrate the will of the people?" asked Chvala.

But Welch, who unsuccessfully ran for the U.S. Senate in 1994, wouldn't budge. He suggested it was a federal problem.

"Congress has done nothing about the problem," Welch said.

The National Cheese Exchange at Green Bay is important because the prices of a 40-pound block of cheddar cheese there effectively determine the price that dairy farmers across America get for their milk.

Prices paid to dairy farmers have plunged 25 percent in recent months, and Sen. Alice Clausung, D-Menomonie, blamed "trading against interest" by major cheese companies.

"Trading against interest" occurs when normal buyers start to sell cheese at the exchange.

The problem started in 1988, she said, when Philip Morris bought Kraft Foods. Philip Morris also is the parent company of Oscar Mayer Foods and Miller Brewing Co.

Clausung said Wisconsin is losing three to five dairy farmers each day because of the decline in milk prices.

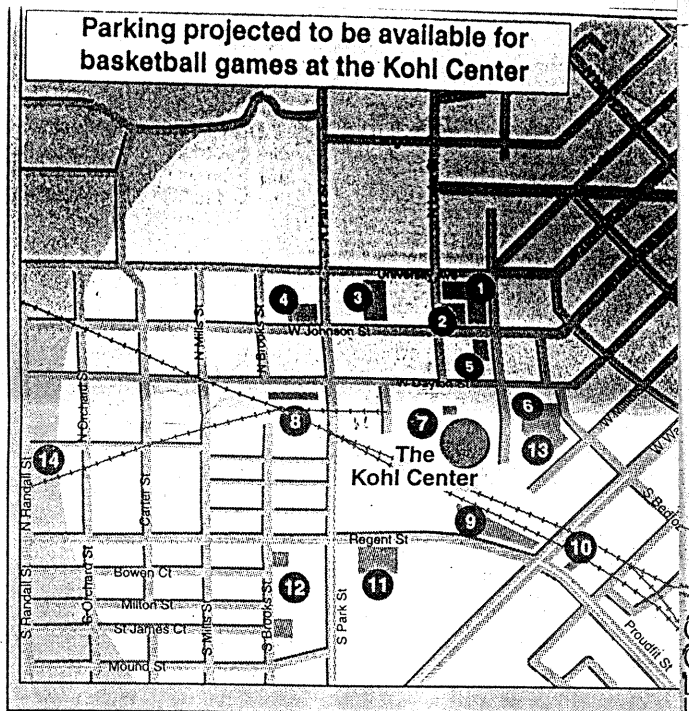
Sen. Brian Rude, R-Coon Valley, said the 0.2 percent of cheese — the amount traded at Green Bay — sets the milk price for 90 to 95 percent of milk. That provides a "great incentive" to try to manipulate the exchange prices, he said.

"There's no free market here in the first place," said Rude. "Sellers are buyers and buyers are sellers. Does that reflect a free market? I think not."

He conceded it was a national issue and the legislation would not cure the national dairy problem.

"A bill like this might just get their attention. It will send a big signal to people who follow this issue," said Rude.

See CHEESE, Back Page



## Kohl Center parking for 3,500

By Pat Schneider  
The Capital Times

Up to 3,500 parking spaces are available for fans attending game at the Kohl Center athletic arena, say officials at the University of Wisconsin-Madison.

The spots — expected to go to per event — will be offered to ticket holders.

"For years, ticket holders have had to buy parking for the Field House. Now we can add the Kohl Center pre-paid parking for season tickets," said Al Fish, administrative director of the Athletic Department.

Fish said parking spaces at the arena will be the highest-priced. Prices for specific lots have not been decided. Nor has whether season

## Chvala tells business cr

By David Callender  
The Capital Times

Senate Majority Leader Chuck Chvala walked into the lion's den Tuesday night and cracked the whip at his big-business adversaries.

Appearing as a guest at the biennial "Legislative Dialogue" of Wisconsin Manufacturers & Commerce, the state's largest business lobby, Chvala blistered the group for running "educational" attack ads against him in the November election and appealed to WMC members to "take your organization back" from Republican partisans.

He also declared he would not deal with WMC's lobbyists or staff any longer.

"Their representatives have no credibility with me whatsoever," he said, adding that he would meet with individual business owners.

After Chvala spoke, a red-faced WMC President Jim Haney said,

"Only in America can someone tell me to get out of the party."

During the dialogue, Chvala was sponsored by the state. He sponsored a bill that would have reduced spending by the state. He also made an estimate of the cost of the effort to undo other targeted Republican state Senate candidates.

Chvala has been criticized by showing WMC ads.

The ad campaign was the "call" which was a general, a big sign, "all of the above" included that "never met" "Instead



**'Their representatives have no credibility with me whatsoever.'**

- CHUCK CHVALA

today's highs and tonight's lows.

Stationary Front

Furnes

Show

10s 20s 30s 40s 50s 60s 70s

Shown in this afternoon's weather. Temperatures are today's highs and tonight's lows.

Drawing by Greg Docter, age 7, Edgewood Campus School, Madison.



Send your weather drawings to: WEATHER P.O. Box 8060, Madison, WI 53708

Madison 12-5  
Chicago 14/6

**WIND CHILL**

How the air feels based on temperature and wind speed.

Today at Noon ..... -4°  
Today at 8:00 p.m. .... 2°  
Tomorrow at 8:00 a.m. .... 3°

**HEATING DEGREE DAYS**

Yesterday ..... 66  
Month to date ..... 1376  
Season to date ..... 4471  
One year ago yesterday ..... 55  
Season to date last year ..... 4449

An index of energy consumption indicating how many degrees the mean temperature fell below 65 degrees for the day.

**Cheese**

Continued from Page 1A

Sen. Scott Fitzgerald, R-Juneau, said he was concerned that the bill might relieve the pressure on the Clinton administration to find a federal solution.

"I am concerned we are rear-

ranging the deck chairs on the Titanic," he said.

Sen. Brian Burke, D-Milwaukee, co-chair of the Finance Committee, said he would try to get Rep. Scott Jensen, R-Waukesha, to call a committee meeting today to act on the proposal.

Aides, however, said Jensen had plans to be in Milwaukee today.

Assembly Speaker Ben Brancel, R-Endeavor, said he told Jensen to

Cold Front  
Warm Front  
Stationary Front

10s 20s 30s 40s 50s 60s 70s 80s

**U.S. Cities**

City	Hi	Lo	W	City	Hi	Lo	W
Albuquerque	31	23	s	Las Vegas	68	40	s
Anchorage	34	24	sn	Louisville	38	18	s
Atlantic City	13	10	pc	Milwaukee	16	12	c
Augusta, ME	32	24	sn	Nashville	46	22	s
Baltimore	56	32	pc	New Orleans	60	41	pc
Birmingham	44	28	pc	Oklahoma City	46	24	s
Boise	22	17	sf	Orlando	70	54	sh
Buffalo	10	7	sn	Phoenix	72	48	s
Burlington	50	40	sh	Philadelphia	33	24	sn
Charleston, SC	54	30	sh	Portland, ME	18	14	pc
Cheyenne	38	16	pc	Portland, OR	54	46	r
Cincinnati	38	16	pc	Sacramento	64	42	s
Cleveland	28	16	c	Salt Lake City	43	26	s
Concord	18	10	sn	San Antonio	58	36	pc
Dallas	52	30	s	San Diego	72	50	s
Des Moines	26	16	pc	St. Louis	26	12	pc
Grand Rapids	16	10	c	St. Louis	28	18	pc
Grand Forks	18	12	c	Syracuse	18	14	sn
Honolulu	80	68	pc	Tampa	72	52	pc
Indianapolis	32	16	pc	Washington	34	26	sn
Weather (W): s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, l-ice							

**World Cities**

City	Hi	Lo	W
Acapulco	90	70	pc
Athens	46	35	pc
Bangkok	90	72	pc
Beijing	49	25	pc
Bermuda	70	67	r
Buenos Aires	38	28	pc
Frankfurt	43	32	s
Geneva	38	28	pc
Hong Kong	70	62	pc
Jerusalem	46	34	pc
London	48	38	pc
Madrid	48	46	r
Montreal	2	-12	pc
Moscow	12	-11	c
Oslo	42	19	pc
Paris	43	33	s
Rome	50	33	s
Sarajevo	32	20	c
Sydney	77	74	r
Tokyo	42	22	s
Toronto	12	6	sn

Shows Showers Flurries Rain Snow

ATLANTA... suspect in the bombing... against CNN... The settlement... on the same day... Atlanta Journal-Constitution... as a guard... He accused... libel in stories... July 27... person and injured... Neither CNN nor Jewel... would discuss... except to say... involved cash... "CNN continues... its coverage... rate review... folded following... Olympic Park... Atlanta-based... Jewell told Atlanta... WGST he was... the CNN settle... Jewell said he's... won't happen...

Chvala said the Senate would meet Thursday afternoon to get the bill back from the Joint Finance Committee — if the bill gets an "emergency" designation.

The Finance Committee includes eight Republicans and eight Democrats.

Meanwhile, the Assembly, without debate, approved two non-binding resolutions asking the federal government to regulate the exchange and find a different way of setting milk prices.

go slow on consideration of the proposal. Brancel said the finance panel was still waiting for an analysis by the Legislative Fiscal Bureau of the bill's costs.

"I'm not sure what the rush is," said Brancel, a former dairy farmer.

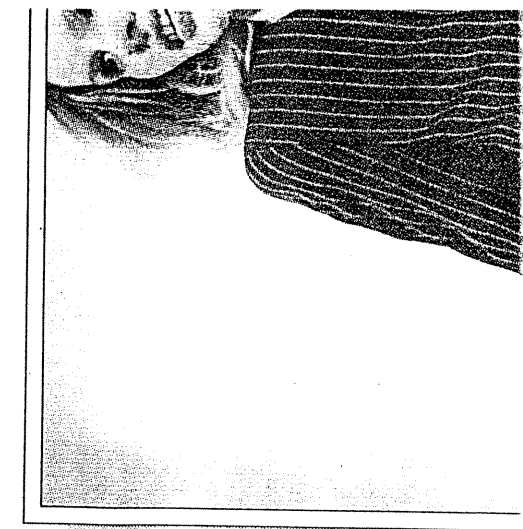
"This is a bill, and bills go through a process" that includes both a review by the Joint Finance Committee and the Assembly Agriculture Committee, he said.



**HILLDALE**  
The Signature Of Style

The

"I Believe"





**40-Pound Blocks** \$1.2750 (\$/lb)  
 Unchanged from last week  
**Barrels** \$1.2425 (\$/lb.)  
 Unchanged from last week

**Chicago Mercantile Exchange**  
 Feb. '97 13.00 (\$/cwt. - 50,000 lbs)  
 April '97 13.50 (settling price)

**Replacement Heifers**  
 Jan. 9-15 \$110-\$125  
 A week earlier: \$90-\$150  
 A year ago: \$120-\$155  
 (\$/cwt.)

Thursday, January 23, 1997

*Agri-View*

# WFU Campaign Aimed at Dairymen

By Joel McNair  
 State Editor

Change the cheese exchange or save the Farmers Union? Some on-lookers aren't sure about the primary purpose of the "Change the Cheese Exchange" campaign launched this month by the Wisconsin Farmers Union (WFU).

A letter sent to all 25,000 Wisconsin dairy farms asserts that the cheese exchange is "the problem" facing dairy farmers. The letter and an attached reply form asks farmers to contribute up to \$100 to help change the exchange.

The letter says that "members of the Wisconsin Farmers Union" are organizing the campaign. The reply form includes a footnote stating that contributions of at least \$30 also pay for a Farmers Union membership.

However, the Farmers Union logo does not appear on the letter, reply form or return envelope sent to farmers. Both the timing of the campaign and the way it is being presented caused some farmers to tell *Agri-View* that they are concerned the money will go more toward Farmers Union general coffers, and less toward efforts to change the exchange. The WFU recently lost one of its primary income sources when the Farmers Union Milk Marketing Cooperative (FUMMC) board of directors voted to terminate a program that provided thousands of dollars in annual dues to the Farmers Union organization.

"It's a heckuva way to do things," said Bob Engmann, a FUMMC member who milks cows near Theresa.

WFU President Bill Brey denied that the drive is aimed at anything other than the stated purpose. The Door County dairyman said the contributions are going to a special campaign for "getting rid of the cheese exchange," and that Farmers Union membership is a "side benefit" to the deal. Brey said the WFU and National Farmers Union will focus their efforts in coming months on convincing President Clinton to sign an executive order to improve exchange trading rules, and in gaining increased federal oversight of the Green Bay market.

Brey acknowledged that this is also the most intense WFU recruitment effort in recent times, but one that began before the FUMMC decision to pull the dues plug.

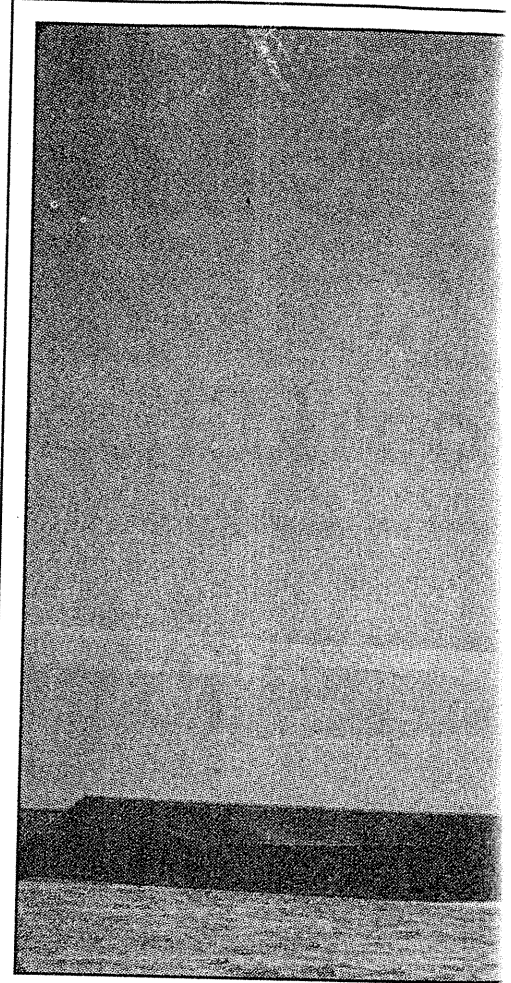
"We want to represent farmers on this (cheese) issue," he asserted.

The WFU office in Chippewa Falls had received more than 200 cheese campaign contributions by the middle of last week, Brey said. Many of those, he said, were at the higher pledge levels. The \$100 pledge includes a four-year WFU membership.

Farmers Union meetings around the state are drawing big crowds, Brey reported. He said the cheese

exchange campaign has shown enough promise that Farmers Union organizations in Minnesota and other states may try it.

Before Jan. 1, the FUMMC had an agreement with the Farmers Union in which members of the milk cooperative could choose to have \$2.09 deducted from their monthly checks to pay for membership in the general farm organization. According



## Shapes Stand Out

On a snowy  
 becom

to FUMMC officials, about 3,000 of the co-op's 8,000 members in 10 states were checking off for Farmers Union membership.

But the FUMMC board voted last month to terminate the program, citing policy differences and dairy plant complaints about doing the paperwork required to handle the checkoff. Leaders of both organizations said the vote was the culmina-

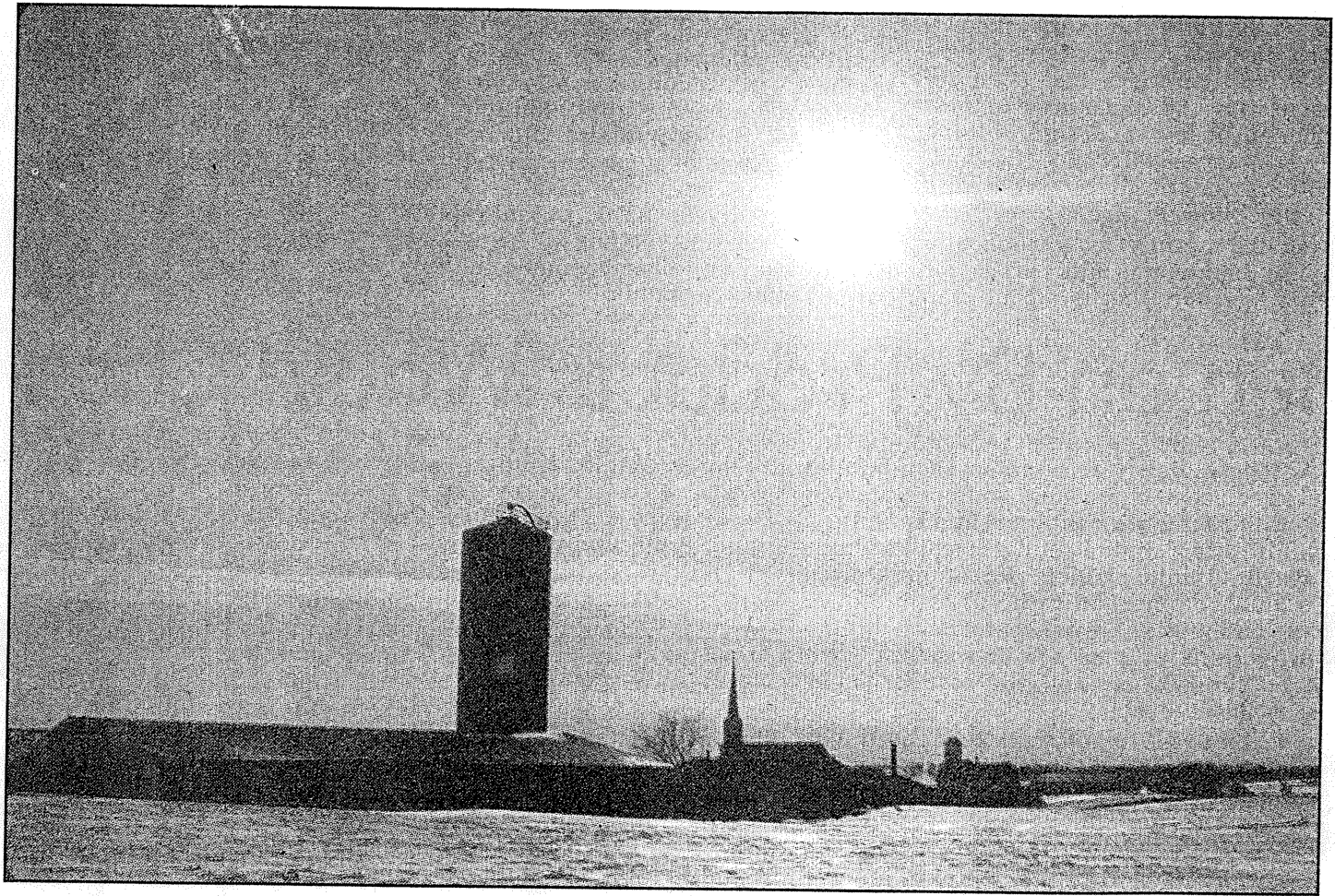
A week earlier: \$28-\$33  
A year ago: \$31-\$37

## Replacement Heifers

Jan. 9-15 \$110-\$125  
A week earlier: \$90-\$150  
A year ago: \$120-\$155  
(\$/cwt.)

# Dairy

Section 2



## Shapes Stand Out

On a frigid winter afternoon atop a windswept southwest Wisconsin ridge, a stark snowscape simplifies everything so shapes stand out. Barns, silos and steeple become elements vital to each other. Remove just one, and much is lost.

*Agri-View photo by Ron Johnson*

to FUMMC officials, about 3,000 of the co-op's 8,000 members in 10 states were checking off for Farmers Union membership.

But the FUMMC board voted last month to terminate the program, citing policy differences and dairy plant complaints about doing the paperwork required to handle the checkoff. Leaders of both organizations said the vote was the culmination

of many months of often-heated debate over the issue.

Brey asserted that the loss of FUMMC money does not put the WFU in a dangerous financial position. "Our budget was set in December. We do not have a shortfall," said the Farmers Union leader.

In an effort to regain that money, the National Farmers Union intends to send a letter to all FUMMC mem-

bers who had voluntarily contributed checkoff dues, Brey said.

Engmann said he did not like the part of the cheese campaign letter stating that the exchange is "the problem," and that other issues don't matter.

"There's more problems than just that," said the FUMMC member. "And they're not going to do this single-handedly."



**'When a C-Span caller conjured up the president as an illegitimate Kennedy son, Hillary Clinton sighed.'**

**Sandy Grady**

# OPINION

## OUR OPINION

### Cheese exchange isn't state issue

"Good riddance" is a natural first reaction to the National Cheese Exchange's threat to move out of Wisconsin.

But the second reaction should be to understand that the threat points out the folly in having the state regulate the exchange.

If the Legislature adopts the bill now before it, calling for state regulation of the exchange, the exchange could simply move across the border, escape the regulation and continue to affect dairy prices in the way Wisconsin farmers complain is so unfair.

In other words, Wisconsin would lose the exchange and gain nothing.

The way to get Wisconsin dairy farmers out from under the unfair pricing system they now confront is with federal solutions, not state solutions.

The Cheese Exchange in Green Bay is a market for the huge buyers and sellers of cheese, like Kraft. It influences milk prices because its cheese prices are considered as part of the federal formula for milk prices paid to farmers.

Wisconsin farmers have repeatedly complained that the exchange is subject to corporate manipulations that drive down prices. The exchange denies the charge.

The state Senate is to vote soon on a bill that would subject Cheese Exchange members to criminal and civil penalties if they manipulate prices. The state Department of Agriculture, Trade and Consumer Protection would define manipulation and enforce the law.

At a hearing on the proposal, Richard Gould, president of the Cheese Exchange, called the plan so impractical that the exchange might be forced to move out of Wisconsin if it took effect.

That's exactly why the Cheese Exchange ought to be a federal issue, not a state issue. Federal action would preclude the exchange from moving across state lines to avoid regulation.

At least two federal options are available. Regulation similar to what the Wisconsin bill contemplates, but better designed, could be undertaken by the Federal Trade Commission or the Commodity Futures Trading Commission.

The other option is even more promising. The Coffee, Sugar and Cocoa Exchange in New York City is considering starting a cash market for cheese, to accompany its existing futures market for cheese. The cash market should allow for fairer trading of cheese than the Cheese Exchange, where trading is severely limited. Moreover, the Coffee, Sugar and Cocoa Exchange cheese price could, if used in the federal milk price formula, render the Cheese Exchange irrelevant.

The fundamental solution to Wisconsin dairy farmers' plight is to get rid of the antiquated and unfair federal milk price system and, in an orderly fashion, move to a freer market. In the meantime, the state should lobby for a federal resolution to its farmers' complaints about the Cheese Exchange.

### Closing the breast-implant gap

A recent ruling by a federal judge in Portland, Ore., may help bridge the gap between the lab and the law.

U.S. District Judge Robert Jones is presiding over a case involving 70 women who have sued breast implant manufacturers. Last week, he barred testimony from so-called "expert" witnesses who insist a link exists between the silicone implants and serious systemic diseases. Jones ruled the testimony supporting the link

When scientists published studies showing virtually no evidence of such a link, the lawyers concocted a whole new disease: "atypical connective disease." It was a great invention: because the disease was "atypical," there was no definition of it. Each patient's symptoms (or lack thereof) could be arranged to fit whatever scenario the lawyers thought juries would buy.

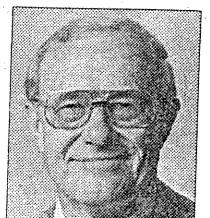
Thank goodness

### Hillary's sec

WASHINGTON — The morning after Hillary Rodham Clinton took her televised inaugural stroll, the Washington Post's style writer gave her 40 lashes for her "still precarious fashion sense."

"Thank heaven she wore no hat," the fashion maven said acidly. But if her coral Oscar de la Renta coat was rated passable, Clinton had made the most embarrassing blunder since — well, health-care reform.

What ruined her ensemble, and possibly the president's historic moment, was a "gold brooch dotted with gemstones."



SANDY GRADY

## ndance

ice today from this building. more years there may not be ough farmers in Wisconsin to d another rally and Mr. ompson and corporate farm-will have won."

Darin Von Ruden, the Westby ducer that spearheaded the k strike and member of the vernor's Task Force on the ional Cheese Exchange, also s at the rally.

When he was asked to ompany a farmer delegation Washington, D.C., to present ommendations to legislators improve NCE trading activity, r. Von Ruden initially elined. He now is reconsider- g and may make the trip in rly February.

Mr. Von Ruden said he wants make sure those that see the port know a significant num- r of Wisconsin dairy farmers e unhappy with the report's ial recommendations.

Rally participants repeated e need to secure support from onsumers. Farmers received a ote of confidence from adison attorney Ed Garvey and ecretary of State Douglas La ollette.

"It is time for all people in his state who care about food to o something," said Mr. Garvey. Imagine what the governor ould do if we had a company 1 this state that lost 6,000 jobs."

Mr. La Follette said "we must et consumers on the side of the armers. Producers should team ogether and go to grocery stores and educate them about what is appening. Let consumers know hat current trends toward corpa- te agriculture will affect them. You can't tell me that Kraft and Philip Morris care about family farmers."

—Bob Kliebenstein

**How quality**

# State Assembly acts on milk pricing reform

## Madison

Resolutions introduced in the Wisconsin State Assembly relating to activity at the National Cheese Exchange are receiving tremendous support, according to state Rep. Al Ott, R-Forest Junction, chairman of the Assembly Agriculture Committee.

The Assembly began its 1997-98 legislative session Jan. 14.

"We're going to send a message to Washington that we want some changes made," Rep. Ott said, referring to two resolutions he introduced that will be forwarded to Washington officials and Wisconsin's congressional delegation.

Assembly Joint Resolution 5 asks USDA Secretary Dan Glickman to cease using the market activities of the National Cheese Exchange in determining the basic formula price for manufacturing milk.

The bill also requests that a broad-based formula that more accurately represents market conditions for milk be established.

According to Rep. Ott, the NCE price that currently is used results from trading that represents less than 2 percent of all

bulk Cheddar cheese sold nationally.

Thirty-five state representatives and 15 state senators have signed onto AJR 5 as co-authors.

"I'm extremely pleased at the number of legislators from all over Wisconsin who want their voices heard in Washington on the milk price issue," Rep. Ott said. "We want to make sure that Wisconsin farmers are treated fairly under federal dairy pricing programs."

A second resolution authored by Rep. Ott asks the Commodity Futures Trading Commission and the Federal Trade Commission to re-evaluate their regulatory authority over NCE.

The two commissions have said they do not have authority over the exchange, Rep. Ott said, but now appear to be open to the possibility of federal oversight of this national price-setting mechanism.

No number has been assigned yet to Rep. Ott's second resolution.



Al Ott

# Farm Bureau endorses cheese task force

## Green Bay

The Wisconsin Farm Bureau Federation's position on dairy policy remains one of pursuing the elimination of the federal order program, according to Gary Anderson, Cecil.

Mr. Anderson and other members of Farm Bureau's Dairy Advisory Committee

join a Wisconsin delegation to Washington, D.C., Feb. 4-5, where members will outline their views to federal officials.





# Storhoff: Mind-set hampers dairy

## Wisconsin Dells

The negative mentality of dairy farmers is at least partly to blame for Wisconsin's slipping stature in the national dairy picture, according to the president of a Midwest dairy cooperative.

Speaking at a conference designed to analyze the problems facing Wisconsin animal agriculture, Don Storhoff, president of the Baraboo-based Foremost Farms USA, said the Wisconsin dairy industry is struggling to keep up with competition in other parts of the country. While farmers in California, Idaho, New Mexico, Arizona and other states are making major investments in processing plants, Wisconsin dairy producers are continually shopping for a co-op or dairy plant that will pay a few cents more for their milk.

"Too many farmers are focusing on a 30-day valuation," Mr. Storhoff said. "They're comparing milk checks with their neighbor, and they're ready to quickly move their milk. Each time a producer's milk is moved from one plant to another, that erodes the plant's position in the marketplace. Until we change that 30-day mentality, we will continue to lose market share (in Wisconsin)."

Some Wisconsin dairy farmers questioned why milk prices fell last fall while cheese sales were up nationally. Mr. Storhoff said that happened because other dairy regions are increasing cheese production and challenging Wisconsin for markets.

stabilizes in Wisconsin. Production will likely level off at about 21.5 billion pounds of milk per year, down from the current 22 billion pounds, and perhaps increase from there.

"I'm hoping we can start building the state's production back up, if we can just get past



**"If we did not make money last year in dairying, we need to ask ourselves what is wrong with us."**

**— Don Storhoff, Foremost Farms president**

the 30-day valuation," Mr. Storhoff said. "If we don't start looking further down the road, the future won't be there for us."

There are many in the Wisconsin dairy industry who are "trying to lead this industry into gloom and doom," he said. They tend to look for the negative in every situation, and have been especially critical of the National Cheese Exchange in Green Bay.

"We often hear how bad Kraft, Beatrice and Sargento are (for their actions on the cheese exchange)," Mr. Storhoff said. "We need to support and partner

Rather than looking at 1996 as the best year the dairy industry has ever seen, many farmers emphasize the milk-price tumble at the end of the year.

"If we did not make money last year in dairying, we need to ask ourselves what is wrong with us," Mr. Storhoff said. "We have

boring dairy farmers go together in one operation," he said. "The partners often find they get more time off and the lifestyle is not as demanding."

Tom Lyon, chief executive officer for Cooperative Resources International in Shawano, said the conservative nature of Wisconsin farmers has in some cases prevented agriculture from moving forward in the state.

"Some Wisconsin farmers have been slow to adopt to new technology, and I'm not talking growth hormones and cloning sheep," Mr. Lyon said. Wisconsin has lagged behind other states in the use of such technologies as artificial insemination, milking parlors and total-mixed-ration feeding systems, he said.

"Wisconsin lacks examples of innovative risk-taking," Mr. Lyon said. "The state's farmers) have not methodically expanded to take advantage of scale. That has exacerbated our problem."

In North Dakota, about 3,000 beef producers recently formed a cooperative to develop an integrated breeding, feeding and processing operation, with a goal to produce a uniform product to meet the demands of consumers. A similar program is being devel-

See Dairy on Page A2

OVER

# Sheep cloning seen as bre

biotechnology — such as artificial insemination — to improve such traits as milk, meat and wool production in livestock, said Neal First, a professor in the UW-

## Madison

Last week's news that scientists in Scotland have managed to clone a lamb from the mammary

## Cal

After opening the top squirrel reaches down keeping a grasp on th

mant, removed the nuclear unfertilized sheep egg, from the egg cell an electric current, and in the resulting embryos into

# Plan in the works to revitalize ag Wisconsin Dells

Organizers of last week's animal agriculture leadership conference are hoping the 2-day session will spur development of a plan to revitalize the struggling animal agriculture industry in Wisconsin.

The conference, sponsored by a consortium of Wisconsin agricultural organizations, included about 100 representatives of state farm groups, the university, state agencies and agricultural firms. Participants heard presentations on a variety of agricultural issues, and participated in workshops designed to come up with pro-

posed solutions to the some of the state's agricultural problems.

The conference was funded in part by an Agriculture Development and Diversification grant through the Wisconsin Department of Agriculture, Trade and Consumer Protection. Joe Tregoning, DATCP executive assistant, said it is hoped that the discussions begun at the conference will be transformed into an action plan to revitalize the livestock industry in the state.

"I was at a similar seminar a few years ago, and afterward everybody went home and that

was it," Mr. Tregoning said.

"That's not going to happen this time. (DATCP Marketing Division Administrator) Mark Liedl will have the responsibility of following up on this conference and keeping this (initiative) alive. Animal agriculture is going to move forward in Wisconsin."

Mr. Tregoning said he has asked Mr. Liedl to come forward with a plan to revitalize agriculture by May 1.

Ed Brooks, a dairy farmer from Reedsburg and one of the conference organizers, said the organizing committee will select a

leadership team to review critical problems identified at the conference and determine possible solutions. Funding to implement action programs will be discussed and possible funding sources will be identified when the committee meets for the first time in late March.

The leadership committee will meet again in September and come up with a list of conference findings to be reported at the Governor's Agriculture Summit at a yet-to-be-determined date.

State Rep. Ben Brancel, R-Endeavor, said a key to getting legislative support for any plan the committee comes up with is industry unity.

"If the industry is united, (proposed) legislation will have a common focus," Rep. Brancel said. "It will take strong-willed people and unity to get something done."

The No. 1 problem identified by conference participants as standing in the way of the advancement of animal agriculture in Wisconsin was a negative attitude. Participants said farmers' attitudes will have to change before the industry can be revitalized.

## Creative ag solutions sought

Dairy from Page A1

produce a uniform product to meet the demands of consumers. A similar program is being developed in Kansas.

"I don't sense the same intense creativity in Wisconsin," he said. "Smaller operators are not as willing to vertically integrate, and they often don't incrementally expand."

Mr. Lyon said the public support system for agriculture in Wisconsin is not what it once was. The state provides "woefully little research and education money for agriculture," the technical colleges

are struggling, and the state agriculture department is becoming more consumer-oriented and less focused on marketing and animal health concerns, he said.

Douglas Jackson-Smith, associate director of the Program on Agricultural Technology Studies at the University of Wisconsin-Madison, said Wisconsin is well suited to livestock agriculture, but a challenge will be the transfer of farms to the younger generation.

"The real challenge in dairying is dealing with the reduced rate of entry," Mr. Jackson-Smith said.

## 'Technology shouldn't be used on humans'

Clone from Page A1

There are environmental influences that...

whether it made more milk or less milk."

One way for young farmers to get into the business is through low-input farming methods such as grazing, Mr. Jackson-Smith said. Thirty percent of entrants into the dairy business during the past 2 years have been graziers.

—Jim Massey

—Jim Massey

However, cloning technology does have the potential of creating

every offspring of a prize bull and a good mother...

## Bills in Madison

A group of Wisconsin disagree on whether a Exchange to state regul

Backers of the bi Menomone, say it woi ties on the cheese ex Thompson and U.S. Se ment could work bette ence in the milk-pricing

The state bill movec but has stalled in the A ed the Assembly's inact Assembly Republic false hope.

"It's unfortunate the about an immediate sol Ot, chairman of t) "Unfortunately, imposit the cheese exchange, around the country, and

Pressure should con the cheese exchange as the exchange, said Rep dairy farmer.

Spokesmen from th Wisconsin Farmers Unio tion. The Wisconsin Fa must come from the fed Paul Zimmerman, the F tions.

Kevin Keane, a spoke has no position on Sen. U.S. Agriculture Secreta from the pricing formula

## Battle



TODAY'S

# BUSINESS

PERSONAL FINANCE ■ WORKPLACE ■ AGRICULTURE ■ TECHNOLOGY ■ CONSUMER

The Capital Times ■ Thursday, Feb. 27, 1997

F



## State regulation of Cheese Exchange argued



HENRY A. KOSHOLLEK/THE CAPITAL TIMES

Farmers rallying at the Capitol Wednesday dump cartons of milk they brought to give to an absent governor and wound up pouring on the Capitol lawn.

By Andrew Blasko

Associated Press

Wisconsin dairy farmers and lawmakers disagree about whether a proposal to subject the National Cheese Exchange to state regulation would help milk producers facing low prices.

Backers say the bill by Sen. Alice Clausing, D-Menomonie, would help stop recent milk price drops.

Others such as Gov. Tommy Thompson and U.S. Sen. Herb Kohl, D-Wis., say Washington could handle the problem by removing the exchange as a factor in the national milk pricing formula.

The Green Bay-based exchange handles about 1 percent of the country's cheese trade but plays a key role in the prices the federal government sets for milk.

The National Farmers Organization's state branch and the Wisconsin Farmers Union favor state regulation of the exchange, spokesmen said.

The Wisconsin Farm Bureau Federation believes regulation of the exchange must come from the federal government to be effective, said Paul Zimmerman, the group's director of governmental relations.

Some farmers say their profits are dwindling and they want state regulation to start immediately.

"We need a vote! We need a vote!" chanted 14 farmers who rallied Wednesday at the Capitol to push for Assembly action on Clausing's proposal.

Clausing's bill was backed by the Senate 28-5 in January and sent to the Assembly.

Speaker Ben Brancel, R-Endeavor, sent it to the Legislature's Joint Finance Committee to determine how much the state regulation would cost.

The committee's co-chairman, Rep. Scott Jensen, R-See MILK, Page 4F

**Thorstad, Susan Ann**  
**ETON** - Susan Ann Thorstad, 48, of Middleton, died Tuesday at her home on Tuesday, February 25, 1997, from a heart attack. She was born on February 8, 1948, in Madison, to Charles and MaryAnn (Schultz) Thorstad. Susan graduated from St. Joseph's Catholic School in Middleton and Oregon High School. She married Darrell Thorstad on August 10, 1969 in Minnesota. Susan worked as a day care provider and was employed at Shopko and H.R. Block. Survivors include her husband, Darrell; a son, Christopher, who lives at home; mother MaryAnn Thorstad of Waunakee; a step-sister, Tomi Schwartz of Dane County; two brothers, Kevin Meffert of Madison, Illinois and Terry Meffert of DeForest; a sister, Betty Thorstad of Cambridge; a brother-in-law, John Thorstad of Watertown; and many nieces and nephews. Susan was preceded in death by her father, Charles Thorstad, on February 6, 1984 and her mother, Gilbert Meffert, on October 1, 1995. A mass of Christian burial will be held at ST. BERNARD CATHOLIC CHURCH, 7450 Wisconsin Avenue, Middleton, at 10:00 a.m. on Friday, February 28, at the home of Father John Auby. A special funeral service will be in Highland Gardens in Madison. A viewing will be from 5:00 p.m. to 7:00 p.m. on Thursday, February 27, at the GUNDERSON HOME, 7435 Wisconsin Avenue (near Parmenter) in Middleton, with a scripture service at 7:00 p.m. and also from 10:00 a.m. until the time of service at the church.



HENRY A. KOSHOLLEK/THE CAPITAL TIMES

LaFarge farmer Mark Kasten was at the State Capitol Wednesday describing the difficulties he has trying to make a living in dairying.



**Tien, Wilbur H.**  
 Wilbur H. Tien, 79, died on February 20, 1997, in a Madison hospital after a long illness. He was born on February 20, 1918, in Madison, the son of Henry and Esther Tien. He was a Army aviator in World War II, and retired in 1983, as an employee of the Public School System. He was a member of the Zion Lutheran Church, American Legion and Moose Lodge. He survived by his wife, Betty A. Ahrens, whom he married August 22, 1941; his daughter, Debbie (Tiemann) of Madison; a special cousin, Lorraine Olson of Madison; and a brother, Harold Tien of Madison. He was buried in the Zion Lutheran Cemetery in Madison.

# Milk

Continued from Page 1F

Waukesha, said the bill will not move forward until farmers reach agreement on it.

"It's not going to help any dairy farmers in Wisconsin. Chasing the National Cheese Exchange out of Wisconsin and into another state doesn't change the cheese exchange's influence on dairy prices," Jensen said.

Thompson spokesman Kevin Keane said the governor has no position on Clausen's proposal.

Thompson has focused on trying to persuade Glickman to remove the exchange from the pricing formula, Keane said.

Thompson told farmers late last year the state lacks authority over the exchange, a cash market used by the U.S. Department of Agriculture to set dairy farmer's milk prices.

Clausen said that Wisconsin can regulate the exchange under the state's "Little FTC Act," which lets the state act on unfair trading practices.

Clausen's proposal would forbid agents who buy cheese on the exchange from selling it.

University of Wisconsin researchers accused Kraft, the major

buyer on the exchange, of depressing prices by dumping its own supplies on the exchange years ago.

Kraft and the exchange denied wrongdoing. The Federal Trade Commission said last year it found no antitrust violations.

Clausen's bill may force the exchange "essentially close up shop" by making it more difficult to manipulate, said Ed Jesse, an agricultural economics professor at the UW-Madison.

Even some non-farming groups are weighing in on the bill. Wisconsin Independent Businesses Inc. supports the proposal because low milk prices mean farmers have less money to spend, said Wayne Corey, executive director.

# Managed care frustrates doctors

By Laura Meckler  
Associated Press

WASHINGTON — Almost all doctors participate in at least one managed care plan, and many have concerns about their ability to offer high-quality care, a new survey indicates.

"Although the goals of managed care are to control costs and improve quality, many doctors are frustrated because they have less control over making decisions for patients than they used to have," said a spokesman for the American Medical Association.

less money but guarantee them a patient base, and they provide care for three of four Americans with employer-sponsored health insurance.

The survey found:

■ 38 percent of doctors said they had less control over making decisions for patients than they used to have.

Managed care were not satisfied with the amount of time they had with patients. Eighteen percent of those with no managed care patients said the same.

The survey also suggested some concerns about managed care may not be valid. For instance, 96 percent of doctors with managed care patients said they were satisfied with the amount of time they had with patients.



**By John Welsh**  
Wisconsin State Journal

A snowstorm Tuesday dropped about 3 inches of snow, causing a series of crashes including one that claimed the lives of a Madison woman and her mother.

The combination of ice and snow spooked drivers and school officials but, except for the fatal crash on the Beltline, authorities said the weather caused relatively few problems. Forecasters said much of the snow should melt in the next few days as the weather turns mild.

With all of Dane County schools calling off classes, law enforcement authorities said many people chose to stay off the roads during the worst of the storm Tuesday morning.

"It wasn't that bad for accidents," said Kent Kruger, a supervisor for the Dane County communications dispatch center. "I think everyone is staying home with the kids."

The fatal crash on the Beltline occurred shortly before noon in the eastbound lanes near the South Towne Drive exit. Traffic was backed up for nearly a mile as emergency personnel directed traffic onto the off ramp and then back onto the highway.

The Monona Police Department released few details of the accident other than it involved a pickup truck and a car. Four others were injured in the crash, but neither their identities nor the seriousness of their injuries were available Tuesday night.

The Dane County coroner's office identified the victims as June Vanden 49, Madison, and her mother, Margaret Leggett, 69, Madison.

Tuesday's snow upped Madison's total this season to 29 inches. The average amount for this time of year is 23 inches, and the average seasonal amount is 40 inches. Temperatures have been near normal this winter, and the National Weather Service's 30-day outlook said temperatures and precipitation should continue to be close to normal.

Snowfall was greatest Tuesday in central Wisconsin in a band stretching from Grant County to Green Bay with totals approaching 12 inches in those areas.

This week's forecast will turn nice starting today with dry weather and temperatures in the 30s.

"It looks pretty tranquil through Thursday," said Ned Johnston, a meteorologist with the weather service in Sullivan.

Madison Streets Superintendent Roger Goodwin said that forecast was the main reason he decided Tuesday not to declare a snow emergency, which covers parking regulations in the Downtown and Isthmus areas.

"It's a tough call," said Goodwin, who has called three emergencies already this year. "But in this case, with the good weather to follow, I decided it wouldn't be critical to plow to the curb line."

Tuesday's snow may have kept many people off the area's highways, but apparently a lot of them picked up the phone instead.

Many Madison-area callers were prevented from completing calls Tuesday morning because of overloaded circuits. Call volume was up 25 percent around 10 a.m. but had dropped significantly by noon, said Ameritech spokeswoman Pamela Bednarczyk.

"It's more of a result of call volume than weather problems," she said. "When schools are out, the phones are ringing."

#### ■ Why schools closed/3A

schools agenda more typical of governor than a president.

"The greatest step of all, the high threshold for the future must now cross — and my No. 1 priority for the next four years is to ensure that all Americans have the best education in the world," Clinton stressed.

"Let's work together to meet these goals: Every 8-year-old must be able to read; every 12-year-old must be able to log on to the Internet; every 18-year-old must be able to go to college; and every adult American must be able to keep on learning for a lifetime."

The president's overall agenda encompassed the long list of proposals he has trumpeted since Democratic National Convention last August, including calls for national education standards, college-tuition tax breaks, and reforms for welfare, health care and campaign finance.

Beyond such programmatic proposals, Clinton also emphasized the duty each American holds to renew the nation's spirit thro-

# Delegation sees hope for reforms in milk pricing

**By Rick Barrett**

Agriculture reporter

Wisconsin lawmakers and farmers say they're encouraged about making changes in the way milk is priced, following a meeting Tuesday with U.S. Agriculture Secretary Dan Glickman. Glickman met for more than an hour with a bipartisan group that included Republican Gov. Tommy Thompson, Democratic Sens. Herb Kohl and Russ Feingold, House members, state lawmakers and farmers.

The meeting focused on complaints by Wisconsin farmers that the National Cheese Exchange in Green Bay has undue influence over farm milk prices.

Critics of the cheese exchange say its volume is less than 1 percent of the cheese sold in the nation, yet it is part of the formula used by the U.S. Department of Agriculture for setting farm milk prices. In addition to the basic formula price, farmers also receive premiums based on quantity

and quality.

Glickman indicated he favors replacing the exchange as a factor in setting milk prices but said his agency would study the issue until at least the end of March.

Executives of Kraft Foods, the nation's largest cheese buyer, say they support changing the milk price formula to eliminate the cheese exchange. But they say the exchange has been maligned.

"There is too much energy wasted on making the National Cheese Exchange a whipping boy for farmers' troubles," said Betsy Holden, executive vice president of Kraft's cheese division.

"If we eliminate the exchange's link with milk prices, it won't be the boogie man any longer," Thompson and other lawmakers

Please see **MILK**, Page 3A

■ **Kraft talks about business climate/3A**



**Madison Forecast:**  
Today: Partly cloudy skies with mild temperatures. High 34.  
Tonight: Continue partly cloudy and cold. Low 20.

Details/back page

to do things better and than we've done them in the past." age cheese prices in 1996 are the highest ever and Kraft's analysts expect this year's to be the second or third ever. sharp declines in late 1996 as a surprise to Kraft, but were inevitable.

to stimulate consumer demand and streamline production costs, according to Kraft.

"We need programs to help producers make the productivity gains they need in order to prosper," Holden said. "And we have to get rid of the 'us versus them' mentality that has hurt farmers and processors."

to support their families.

## Milk

Continued from Page 1A

said they made progress in convincing Glickman that changes are desperately needed in the dairy pricing system.

"Now it's up to Secretary Glickman to get the job done," Thompson said.

Whatever happens with farm milk prices, it will have a powerful effect on Wisconsin, especially in rural communities.

Wisconsin has 27,000 farms. Since last September, dairy farmers have lost more than 26 percent of their incomes due to record drops in milk prices.

"The dairy industry is the economic engine of the state," said Karl Gutknecht, spokesman for Wisconsin Agriculture Secretary Alan Tracy. "The cash registers at the stores do not sing without the support of dairy farmer."

The governor is meeting today with the Commodities Futures Trading Commission in Washington to ask them to regulate the cheese exchange.

Thompson also is pressing for changes in the federal milk marketing order system to put Wisconsin farmers on an even playing field with farmers in other parts of the country.

Currently, farmers in other states such as Florida are paid more for their milk, based on a system that measures their distance from Eau Claire.

"If we don't get some action, then we are at a distinct disadvantage," Thompson said.

In replacing the cheese exchange as a factor in USDA milk prices, the government could use national cheese pricing statistics gathered from cheese plants.

"The dairy market is volatile by itself, but what we are trying to do is eliminate the huge peaks and valleys," Thompson said.

National statistics are probably the best alternative to the cheese exchange, said Bob Cropp, a dairy economist with the UW Center for Cooperatives.

"But my greatest fear is that farmers have false expectations," Cropp said. "They shouldn't believe that milk prices will stabilize at higher levels and stay there."

Thompson said he believes commodities regulators will agree to oversight of the Cheese Exchange and that someday it may merge with another exchange such as the Coffee, Sugar and Cocoa Exchange in New York.

He would not say whether he will sign pending state legislation giving Wisconsin authority to regulate the cheese exchange.

"It would be nothing more than a stop-gap measure. All it would do is force the cheese exchange to relocate to Chicago or New York," Thompson said.

Wisconsin farmers say they are hopeful the government is making the right moves, but they have doubts.

"There is too much politics in it. Glickman will be getting pressure from other states with more votes, and we're sitting on an island in Wisconsin," said Robert Zinck, an Iowa County farmer who quit milking cows in December.

Breaking the tie between milk prices and the Cheese Exchange will help, but the exchange shouldn't be driven from Wisconsin, said dairy farmers David and Mike Price from Avoca.

"I hope the Cheese Exchange stays in Wisconsin," David Price said. "I just don't think it should be used to set milk prices."

# n The h Esprit



### DON'T MISS!

How long do you think Jell-O's been around? Thirty years? Fifty? Ha. Not even close. Don't bother guessing anymore, the answer will be in Daybreak. (OK, a hint: The Wright Brothers favorite flavor was ...)

IN DAYBREAK SUNDAY

## Above all, children's safety major reason



The Capital Times January 24, 1997

Views of  
**The Capital Times**

# Farm protests must be heard

Older readers of this newspaper will recall that, in the depths of the Great Depression, there was something called a "Farm Holiday" movement in these parts.

Activists urged hard-pressed farmers, many of whom were on the verge of losing their land, to take a holiday.

The idea was that they would produce no food for a year in order to gain the attention of consumers and an unresponsive federal government. The movement never quite took off, but the threat caused government officials to begin taking seriously the complaints of small farmers.

This week's "milk strike" by dairy farmers in Wisconsin and other states is a contemporary variation on the Farm Holiday movement. When farmers dumped or gave away thousands of gallons of milk, they were taking desperate measures in order to call attention to a genuine crisis.

Since September, the price that dairy farmers are paid for each 12-gallon unit of milk they produce has fallen more than \$5. Some of America's most productive dairy farms are now operating at a deficit.

In Wisconsin, which still proudly refers to itself as "America's Dairyland," three dairy farmers go out of business every day — and the pace will accelerate if the crisis continues.

Some apologists for corporate agricultural interests, which would benefit from the collapse of independent small farming, claim the price is merely an example of the markets at work. Nothing could be further from the truth.

The scandalous operations of the National Cheese Exchange in Green Bay, upon whose prices the federal Department of Agriculture sets base-milk prices, is a big part of the problem. There is mounting evidence to suggest that the exchange's prices have been manipulated by Kraft Foods, the nation's largest buyer of bulk cheese, in order to drive down cheese prices.

But the exchange is not the whole of the problem. The current farm bill is biased in favor of corporate agriculture and the policies of the U.S. Department of Agriculture have increasingly been skewed against the interests of small farmers.

**We are happy to see that Wisconsin Gov. Tommy Thompson will be meeting next month with Agriculture Secretary Dan Glickman in Washington to discuss the crisis, and in particular to promote reforms in how the National Cheese Exchange operates.**

Hopefully, Thompson, who has been the target of the wrath of farmers for being slow to come to their aid, has recognized that, as a respected Republican governor, he has the ability to play a critical role in pushing a pro-farmer agenda at the state and national level.

Ultimately, however, it will be public pressure that wins economic justice for farmers. And the only way to build that pressure is by following the advice of the Farm Holiday movement — "raise less corn and more hell."

The Capital Times January 27, 1997

Plain Talk

DAVE ZWEIFEL

# No role for secrecy in Legislature's work



Zweifel

Every government body in Wisconsin is required, except under the most unusual circumstances, to meet in public.

Every government body, that is, except one.

The Wisconsin Legislature, which has the power to impact our lives more than any other, has jealously held onto an exemption under the state's open meetings laws for itself.

The Republican and Democratic caucuses of both the Assembly and Senate can shut the doors on the public any time they want. And, of course, they do so regularly during the course of each legislative session.

The attorney general of Wisconsin, along with many others, wonders if the time hasn't come to change all that.

The real decisions, after all, are made in those party caucuses.

That's where the deals are made. That's where a legislator will get the green light to add an amendment to a bill if he votes a certain way on another.

That's where the governor will come in at the 11th hour to twist some arms — and make a few concessions in return — to get a deal on the state budget.

In short, more real state business is done in those secret meetings than in all of the open floor sessions combined.

Attorney General James Doyle told a group of newspaper editors earlier this month that they ought to push to eliminate the exemption in the law that sanctions those secret meetings.

Doyle threw a lot of the legislators into a tizzy last session when he issued an opinion that, yes, the party caucuses can legally meet in secret, but any records or minutes they keep are subject to the open records law and must be made available to the public.

"What that means, undoubtedly, is that they will quit keeping minutes of their meetings," he said, half-joking, but knowing full well he is probably right.

Indeed, it would be a public service

if a state legislator stepped up this session and introduced a bill to eliminate the exemption.

• • •

**W**hy shouldn't the public know what happens in those party caucuses? Isn't it a key to democracy for the people to know who has decided to trade a vote or why a certain bill has mysteriously been re-written once it emerges from the caucus?

Certainly, the legislators have nothing to hide.

*Dave Zweifel is the editor of The Capital Times. His e-mail address is (dzweifel@captimes.madison.com).*



The Capital Times January 27, 1997

# Dairy prices, guns before lawmakers

By Matt Pommer  
The Capital Times

The plight of dairy farmers and the gun lobby's pet idea will be in the spotlight when the 1997 Legislature gets down to its first serious work.

Dairy prices have plunged an estimated 20 percent in recent months, creating havoc among many dairy farmers.

Both the Republican-controlled Assembly and the Democratic-controlled Senate will take up the dairy farmers' problem.

Awaiting action in the Senate is bipartisan supported legislation to require the Department of Agriculture, Trade and Consumer Protection to draft rules to regulate trading on the National Cheese Exchange.

Prices on the Green Bay-based exchange play a large role in determining the price farmers get for their milk.

Key to the legislation is a ban on "trading against interest" on the exchange. That means those who are basically buyers could not sell cheese on the exchange. Nor could those who basically are sellers buy cheese on the exchange.

The measure, advanced on a 5-0 committee vote, would provide both civil and criminal penalties. The ag department could ban traders from the exchange.

The Assembly has scheduled two resolutions on the dairy price issue. One resolution would urge the U.S. Commodities Futures Trading Commission and/or the Federal Trade Commission to regulate the exchange.

The other resolution urges the U.S. Department of Agriculture to change the way milk prices are determined.

The Assembly approach — to pass non-binding resolutions rather than create a

state law — is the approach favored by Republican Gov. Tommy Thompson. He'll head a delegation of farmers going to Washington Feb. 4 to seek federal changes.

Assembly Speaker Ben Bracewell, R-Endeavor, a former dairy farmer, said farmers are angry over the price crash because it "came out of the blue" without any rational reason.

Sen. Alice Clausing, D-Menomonie, said milk hit a low of \$12 per hundredweight in December, costing the state's economy about \$50 million. She said swift action is needed.

• • •

**Gun rights:** Also on the Assembly calendar for Tuesday are two constitutional amendments. One would call for the election of sheriffs for a four-year term, rather than the current two years.

The other idea is a constitutional amend-

ment to guarantee Wisconsin residents the right to keep and bear arms. The measure was advanced this week on an 8-1 committee vote.

Both constitutional amendments were approved by the 1995 Legislature. If approved by both houses again by Feb. 18, the issues could be on the spring ballot.

The gun measure has been championed by the National Rifle Association and Wisconsin's Pro-Gun Movement. The NRA was a key player in the 1994 elections in which Republicans won control of the Assembly for the first time in 24 years.

In the last session of the Legislature, the gun amendment passed the Assembly 79-19 and the Senate 28-5.

Rep. Scott Jensen, R-Waukesha, said he hoped the Senate would act quickly after the Assembly approved the gun amendment. But the Senate is scheduled to only meet on Tuesday of next week.

the fact that we have such a huge and expanding deer population in southern Wisconsin. A lot of people have been sending out messages that devalue deer as a resource.

We have lots of farm damage claims, we have an increasing number of car-deer collisions.

One of the unfortunate messages that seems to go out is that deer aren't as important as they used to be.

We have increased the number of permits and bonus permits and additional permits and this year some free permits. "Help us get rid of them" is sort of a subliminal message.

**Q: Any bizarre stories over the past years?**

One that just occurred to me

happened in Sauk County last year.

Wardens started interviewing an individual about a violation, it involved shooting a deer or two out of a vehicle.

They finally got this individual to admit to shooting, upon which one of our wardens said, "Well, what about those turkeys you've been shooting out of the vehicle?" And thereupon the individual confessed to shooting maybe 50 turkeys out of the vehicle.

Their next question was, "As long as we're on this roll, what about the grouse?" He confessed to shooting an equal number of grouse out of the vehicle.

Pretty soon, they had more potential violations than anybody could ever sit and write about.

Every once in a while, you come up with guys like that.

deer and let them fall. It's what some people call thrill killers.

Besides that, we are seeing a general upswing in the amount of serious deer violations going on in the past three or four years.

We haven't seen it since 1980. In 1980, the Legislature increased our serious deer penalties from \$200 up to \$2,000. It eliminated about 75 percent of the serious violations. We downscaled to some extent the effort we put in.

What we are seeing in the past several years is likely a result of

Appleton Post-Crescent January 23, 1997

# 'We don't want to be killers for the state'

**Hunters voice displeasure over antlerless deer hunt program, while a state DNR official says the '96 season did the job so the T-Zone won't have to be repeated**

By Ed Culhane  
Post-Crescent staff writer

The deer hunting season has been over for weeks, but Fox Valley hunters are still fuming about experimental T-Zone regulations that forced them to shoot does before they could hunt bucks.

"We don't want to be hired killers or shooters for the state," one hunter complained.

"Leave the private landowners alone," demanded another. "Do your experiments on your own land."

More than 50 hunters left home in freezing rain Thursday night to attend a meeting in Appleton sponsored by Whitetail Unlimited. The idea was to gather public testimony for the state Department of Natural Resources and the Natural Resources Board before 1997 season frameworks are established.

Similar meetings will be held Tuesday in Oshkosh and Jan. 30 in New London. DNR wildlife managers and conservation wardens were on hand at the meeting to hear what hunters were thinking and to answer questions.

But on the same day as the first meeting was held, a top DNR official said in Madison that the T-Zone regulations did their job and might not be necessary next year.

Record antlerless deer kills were registered in all Zone T units, said Tom Hauge, head of wildlife management. In some areas in the southwest, deer numbers are at goal for the first time in more than 10 years.

The T-zone regulations, which affected 19 deer management

units, including much of the Fox Valley, were designed to rapidly decrease the size of the herd in predominantly agricultural areas where deer numbers have been too high for a decade.

The regulations, while unpopular, had the desired effect, increasing the antlerless harvest by more than 75% in T-Zone units.

Past efforts to reduce the herd by issuing large number of doe permits have failed because most hunters prefer to hunt bucks.

For some it goes beyond preference, and there were hunters at the meeting who said they stayed home in November rather than validate their buck tag by shooting a doe.

"It really is contrary to the whole experience of hunting - to be force fed, to be forced to shoot does on your own property," said Tim Manion, an area hunter and the host of an outdoors television show.

Several hunters pointed out that the T-Zone created inordinate hunting pressure on small parcels of public land while large numbers of deer sought shelter on private land. In Outagamie County, just 6% of the deer range is public.

"It overloads the public areas," said Lee Rasmussen. "No one wants to shoot a doe on their own property."

"What you have to accomplish is to get the private landowners to do what you want them to do, because they are not going to do it," said Tom Lamberg.

But landowners objected, saying they could do a better job of managing deer on their land than the state.

Ralph Nett of Menasha said hunters who own land around Weyauwega are practicing Quality Deer Management, a voluntary program by landowners in which younger bucks are spared and sufficient does are shot to balance the herd.

"We do not like T-Zone because we have areas where we feel the herd is down," he said.

Several hunters voiced similar concerns, complaining that the DNR's deer management units are too large to target population hot spots. The DNR has long resisted efforts to chop up its management units because deer travel over large areas and 50 years of scientific data depend on the integrity of the boundaries.

"You guys come up with a blanket approach, covering a large area, to solve a problem in a small area," said John Lehman.

Still others complained that being forced to choose between shooting a doe or not hunting ruined the hunting experience.

Others complained that the regulations encouraged cheating, a complaint backed up by wardens who found the complex and unpopular regulations a nightmare to enforce.

Dick Koerner, chairman of the Winnebago County delegation to the Conservation Congress, said DNR wardens confiscated 215 deer during the four-day Zone T hunt.

"You could put a zero behind that number in terms of how many deer were illegally killed," Koerner said, "and it wasn't all accidents. It's a problem."

But two hunters spoke in favor of the state's efforts to trim the herd.

Dick Schroeder of Appleton said his land in Langlade County has so many deer on it that oak saplings cannot grow. He said efforts to establish Quality Deer Management failed because too many hunters were greedy, unwilling to pass up shots on young bucks.

"I have a woods I am trying to take care of, and the woods will take care of the critters," he said.

Carson Gotham of Black Creek, a long-time hunter, said there is nothing new with these choices.

"We're faced with this all the time," he said. "We have to choose. When I first started hunting, if we got thirty or forty thousand deer a year, that was a big kill. I don't see the logic in some of these complaints."



Wisconsin State Journal January 27, 1997

## OUR OPINION

# Cheese exchange isn't state issue

"Good riddance" is a natural first reaction to the National Cheese Exchange's threat to move out of Wisconsin.

But the second reaction should be to understand that the threat points out the folly in having the state regulate the exchange.

If the Legislature adopts the bill now before it, calling for state regulation of the exchange, the exchange could simply move across the border, escape the regulation and continue to affect dairy prices in the way Wisconsin farmers complain is so unfair.

In other words, Wisconsin would lose the exchange and gain nothing.

The way to get Wisconsin dairy farmers out from under the unfair pricing system they now confront is with federal solutions, not state solutions.

The Cheese Exchange in Green Bay is a market for the huge buyers and sellers of cheese, like Kraft. It influences milk prices because its cheese prices are considered as part of the federal formula for milk prices paid to farmers.

Wisconsin farmers have repeatedly complained that the exchange is subject to corporate manipulations that drive down prices. The exchange denies the charge.

The state Senate is to vote soon on a bill that would subject Cheese Exchange members to criminal and civil penalties if they manipulate prices. The state Department of Agriculture, Trade and Consumer Protection would define manipulation and enforce the law.

At a hearing on the proposal, Richard Gould, president of the Cheese Exchange, called the plan so impractical that the exchange might be forced to move out of Wisconsin if it took effect.

That's exactly why the Cheese Exchange ought to be a federal issue, not a state issue. Federal action would preclude the exchange from moving across state lines to avoid regulation.

At least two federal options are available. Regulation similar to what the Wisconsin bill contemplates, but better designed, could be undertaken by the Federal Trade Commission or the Commodity Futures Trading Commission.

The other option is even more promising. The Coffee, Sugar and Cocoa Exchange in New York City is considering starting a cash market for cheese, to accompany its existing futures market for cheese. The cash market should allow for fairer trading of cheese than the Cheese Exchange, where trading is severely limited. Moreover, the Coffee, Sugar and Cocoa Exchange cheese price could, if used in the federal milk price formula, render the Cheese Exchange irrelevant.

The fundamental solution to Wisconsin dairy farmers' plight is to get rid of the antiquated and unfair federal milk price system and, in an orderly fashion, move to a freer market. In the meantime, the state should lobby for a federal resolution to its farmers' complaints about the Cheese Exchange.

The Capital Times January 25, 1997

# Minn. attacks dairy pricing

By Beth Silver

Associated Press

ST. PAUL, Minn. — Minnesota's dairy farmers say they make less money than ever while the state's consumers pay more for milk than just about anybody else in the country. Now some key lawmakers say they want to do something about it.

House Agriculture Committee Chairman Steve Wenzel, DFL-Little Falls, said Friday he is backing two bills this session to address the problem.

One is a resolution to encourage Minnesota's congressional delegation to create a dairy compact among Minnesota, Wisconsin, Iowa and South Dakota. If Congress allowed it, dairy farmers in the four states would be assured a minimum price for milk.

A similar compact already exists in nine northeastern states, but the legality of the compact is being challenged in the courts.

Wenzel's second proposal would repeal the Dairy Unfair Trade Practices Law, which pro-

hibits retailers from selling milk at prices below what they paid.

"In a fair market shakeout, Minnesota dairy farmers can't be worse off than they are now," said Sen. Kenric Scheevel, R-Preston, during a joint hearing of the House and Senate agriculture committees.

Wenzel believes that allowing grocery stores to drop prices could drive up consumption.

"I do believe there is a crisis in the industry today, and the crisis is not being addressed by those who are profiting," Wenzel said.

But Sen. Steve Dille, R-Dassel, said he fails to see how cutting milk prices at the grocery store would increase profits for farmers. Dille said he would oppose repealing the law.

Some in the industry believe the discrepancy between what farmers make and what consumers pay could be the result of price fixing by Minnesota's largest milk producers. Federal and state investigations into the matter are pending.

The panel was told that a gallon

of milk in Brainerd sells for more than \$3, while a gallon of milk in Phoenix, where dairy farmers make more money than those in Minnesota, sells for \$1.69.

## Calif. 1st again

SACRAMENTO, Calif. (AP) — California dairy production reached a new record in 1996, outpacing Wisconsin for the third straight year, officials said Friday.

California dairy farmers produced 25.8 billion pounds of milk last year, up from 25.3 billion in 1995, the state Department of Food and Agriculture said.

Wisconsin, on the other hand, saw a 2.6 percent decline in milk production to 22.4 billion pounds, it said.

"In California, we're proud to once again lead the nation in dairy production," said California Agriculture Secretary Ann Veneman.



# The Country Today

1-22-97

The Newspaper That Cares About Rural Life

36 Pages

4 Sections

75 Cents

## Protest leaders favor state milk referendum

### Barron

Parts of some snowmobile trails closed throughout the state last week, as dairy farmers stuck to their threat to withdraw access to their land beginning Jan. 15, until milk pricing reforms are enacted.

However, the fragile coalition between farmers and snowmobilers who supported the protest was showing signs of weakening early this week, as some trail managers considered rerouting their trails to avoid losing future state trail-grooming funds.

Barron County and Chippewa County closed all of their county-managed snowmobile trails last week, rather than cause problems for riders facing scattered closed segments. Remaining open were the new Wild Rivers Trail from Rice Lake north to Superior, which follows an abandoned railroad grade; the Tuscobia Trail from Rice Lake north to the Washburn County line; and a railroad right-of-way trail from Almena west to the Polk County line.

Trails remained open in Buffalo, Dunn, Eau Claire, Jackson, Pepin, Pierce and St. Croix counties, and about 80 percent open in Clark County, except for a several closed segments in the Thorp area, according to trail managers contacted by the Eau Claire Leader-Telegram.

But Rusk County and Trempealeau County snowmobile clubs, fearing loss of state trail-grooming funds, last week rescinded their earlier votes to close their trails, although there were some reports of closed segments in the Weyerhaeuser area.

The trail shutdown is not as widespread as supporters would have liked but is having an

impact, according to Jamie Voelker, a Barron County dairy farmer and leader of the protest.

And the closure could be extended to other use of farmlands — including access for hunting and other recreational activities and landspreading of septic tank septage and municipal and industrial sludge — unless Gov. Tommy Thompson gives protesters a firm promise that he will plead their case in Washington, D.C., Ms. Voelker says.

"We're somewhat disappoint-

**For a story on the milk withholding action scheduled for today, please turn to Page A2.**

ed, but not entirely," she said of the scattered trail closures. "Farmers are traditionally conservative people. But there are farmers who don't have snowmobile trails across their land — but they support the (protest) idea — and who have hunting and fishing going on (on their land)."

As of Monday, leaders of the snowmobile trail closure had gotten no formal response from Gov. Thompson's office — "absolutely none," Ms. Voelker said — although there were public statements made about the protest by key Thompson administration spokesmen last week.

Kevin Keane, Gov. Thompson's press secretary, said the governor has been a strong advocate for the state's dairy farmers, and that the closure effort is misdirected because milk pricing is a federal function.

"The governor's been doing more than any lawmaker, state or federal, on this issue," Mr. Keane said, adding that the governor is

scheduled to meet with U.S. Agriculture Secretary Dan Glickman on the milk pricing issue in early February.

Richard "Moose" Speros, state Tourism Division administrator, voiced his concern about the trails protest in a public appearance on Jan. 15, the day the statewide trails protest was to begin.

Mr. Speros, a former Hayward area businessman who was appointed to the state post by Gov. Thompson, said the governor is doing all he can through political channels to improve milk prices and that blocking access to farmland is not an appropriate way to improve milk prices.

"I'm very concerned," he said. "The snowmobilers, once they've got word of that, are then going to go to other areas or different parts of the state or to different states, and that concerns me because snowmobiling is a major part of our winter activities."

Resort and motel owners in the Rice Lake and Chetek areas of Barron County last week reported cancellations by snowmobilers who had heard that trails might be closed, leading the county's snowmobile clubs to consider rerouting trails around closed areas, according to Jack Nedland, Barron county forest administrator and recreational trail coordinator.

"Some of the snowmobile club presidents are really upset; they feel they've done everything they can do," Mr. Nedland said. "But we also don't want to lose the trails for good, for a few more weeks of snowmobiling this winter."

Another indication that the snowmobile trail closure may be

**See Milk Protest on Page A2**

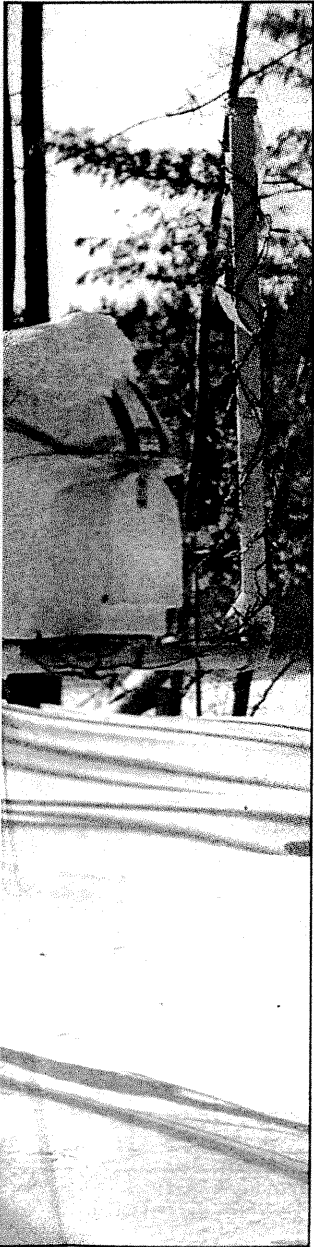


Photo by Kevin Hagen

made goal posts and assortment of the team. Now retired had a seat between the 30-uper Bowl 29 years ago. He which, he points out, was only and gold, but says his wife ages A10 and C1.

# Milk pricing referendum proposed

## Milk Protest from Page A1

short-lived is that the Barron area protesters held a telephone conference call with labor attorney and lobbyist Ed Garvey Monday night, to discuss ways the groups can further their goals without causing a further backlash over the land closure issue.

"He wants to address the land closure issue, and how to stay in the spotlight with the consumer," Ms. Voelker said, "because we don't want to hurt the consumer, that is a fact. His feeling is that one thing's for certain, that we've proved that farmers can unite to accomplish something, and that it's a statewide thing, it's not just a handful of farmers in the northwest or the southwest part of the state screaming.

"But his fear is that we already have the support of the snowmobilers, but if they don't see a formal action, or a direction, something that gives them some type of hope (of trails reopening), you'll lose that support. And we need to let the snowmobilers know that the ball needs to be back in the governor's hands again."

Snowmobile clubs have gathered more than 16,000 signatures on a petition prepared by State Sen. Dave Zien, R-Eau Claire,

chairman of the Senate tourism committee.

The petitions, which were widely circulated by snowmobile clubs and publicized in letters to newspapers, call for elimination of the Northeast Dairy Compact; stronger federal regulation of the National Cheese Exchange at Green Bay; creation of "a fair pricing system without excessive fluctuations that doesn't discriminate against Wisconsin farmers;" increased federal marketing assistance to improve U.S. dairy sales abroad; and increased federal dairy purchases for food programs.

However, Ms. Voelker and others have pointed out that Sen. Zien's petition is flawed in that it doesn't call for a floor price that considers the cost of milk production and does not represent all the concerns of dairy farmers.

Protest leaders have been warned that government officials will respond more to personal letters and telephone calls than to "somebody's signature on a petition," and she says she is concerned that Gov. Thompson, a strong political ally of Sen. Zien, will lobby only for the concerns listed in that petition and those approved in a recent Dairy Task Force meeting, when he meets with Agriculture Secretary

Glickman.

Meanwhile, Ms. Voelker and other milk pricing reformers are proposing that farmers be allowed to vote for a more acceptable milk pricing mechanism in a statewide referendum.

The group is proposing to ask farmers to vote on a list of possible milk-pricing mechanisms, taking into account such factors as costs of production, and protecting farmers from "trade against their own interest" on the National Cheese Exchange or any other rival commodity exchange that may be established.

The ballot also may ask farmers whether they would support tying milk cooperative administrators' salaries to fluctuations in the price of raw milk, Ms. Voelker said.

"So that forces them to do the best job they can do, because it does reflect on what they're bringing home to feed their families," she explained.

Also proposed for consideration by voters is creation of a producer-ratified milk-purchasing contract with the federal government which could be renewed annually, and an advisory question on whether farmers want to continue mandatory deductions to fund the Wisconsin Milk

Marketing Board.

"We're asking for farm organizations to unite and support this, and the state to support the opportunity for producers to vote a choice of pricing mechanism," Ms. Voelker said. "And we're going to get the fax machine absolutely humming. I can't imagine that there is a producer out there who would not be willing to make this choice in a pricing mechanism."

The group plans to forward its proposed ballot to the governor's office and state agriculture officials yet this week, seeking approval for the statewide referendum.

"And if there's a reason for denying that, I guess they (state officials) will have to be willing to publicly say why they would not be willing to let producers have a voice," she said. "It certainly needs to be out there for everybody to know.

"And then this could be, and should be, the model that Gov. Thompson takes to Washington with him. Here's a novel idea: Let's try democracy; let's let the producers ratify their contract. And it's not dictating a price, it's just setting up the pricing mechanism."

—Kevin Hagen

# Malchine elected new ag board chair

## Madison

Racine County grain and beef farmer John Malchine was named chair of the Department of Agriculture, Trade and Consumer Protection Board Tuesday.

Mr. Malchine replaces Omro dairy farmer Pete Knigge, who chose not to seek re-election.

Will Turba, Elkhart Lake, was named vice chair, and Beverly Anderson, Darlington,

was elected secretary.

Mr. Malchine, who farms with two sons, has served on the board three years. He cites two issues facing farmers.

"As a board member I want to see better communication between consumers, processors and farmers," he said. "I think land issue will be a big thing all over the state."

The board heard a report from DATCP staff on an evalua-

tion of Wisconsin's atrazine rule. Ned Zuelsdorf, of the department's Agrichemical Management Bureau, said, "I think you will find some good news come out of this evaluation and we found there is some work to do."

One of the report's conclusions is that atrazine contamination in Wisconsin groundwater is declining. The report found most farmers who use atrazine follow the atrazine rule.

The report states that between 1994 and 1996 the same number of wells had detectable amounts of atrazine. In a few areas atrazine exceeds Wisconsin's health standards.

Based on those statistics, the department recommends that officials continue current limits on atrazine use, include creation of prohibition areas around wells contaminated above state standards.

—Bob Kliebenstein

# Quick response averts toxic disaster

## Madison

The toxic response team of the Department of Agriculture, Trade and Consumer Protection received a pat on the back during the DATCP board meeting Tuesday.

dane, a chemical taken off the market in 1978.

The rendering facility is a primary supplier of a liquid fat product to Purina Feeds, with a plant in Fond du Lac. That particular plant services farms and

aminated milk, he added. Through trace back, milk and feed were sampled on 40 farms. "Through quick action we found there was no contaminated milk," Mr. Fredrickson said. "We were very fortunate."

to see if changes are needed.

Wisconsin Secretary of Agriculture Alan Tracy praised the toxic response team which consists of DATCP staff from lab services, Division of Animal Health, Food Safety Division