

Group opposes bill aimed at National Cheese Exchange

Madison

A group of 23 dairy cooperatives, processors and trade associations have joined together to oppose proposed Wisconsin legislation governing the National Cheese Exchange.

Wisconsin Senate Bill 2 would require that no member buy cheese on the NCE at a price above any price that could have been received off the exchange at approximately the same time. Likewise, no member could sell cheese on the NCE at a price below what could have been

received off the exchange.

Linwood Tipton, president and chief executive officer of the National Cheese Institute, one of the trade associations opposed to the legislation, said the bill is "unworkable and certain to have adverse consequences far behind the stated intentions of its sponsors."

SB 2 would also prohibit any member who is primarily a seller off the exchange from acting primarily as a buyer, and vice versa.

"Intentionally or not, this bill

takes sound business conduct and classifies it as criminal," Mr. Tipton said. "No other commodity exchange has any rule like this. The outcome will be the elimination of a cash market that is crucial to the cheese industry."

Mr. Tipton said the NCI is initiating an effort to strengthen trading practices on the NCE, to create additional cash markets, and to develop new price reporting mechanisms to aid in the pricing of milk and cheese. The plan should be completed by the end of March, he said.

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'96 basic formula price hits all-time high

MADISON

The basic formula price (BFP) for milk averaged \$13.39 per hundredweight for 1996. This is the highest yearly average since the BFP and its predecessor, the Minnesota-Wisconsin (M-W) series, started in 1961.

The BFP varied greatly throughout the year, with a record high set in September followed by the largest-ever monthly drop in November. Although the 1996 average came in \$1.56 above the previous year's price, the December 1996 price of \$11.34 was the low for the year and \$1.57 below December 1995.

Prices on the National Cheese Exchange also were volatile this year. The 40-pound block price reached a record high in October, but then experienced a record drop of 21.5 cents per pound on Oct. 18. The \$1.1875 per pound block price at the end of the year was the lowest since mid-June 1994.

Milk production nationally for the first 11 months of 1996 was down slightly

from a year ago. Although milk production declined, more of the available milk was made into cheese. Preliminary 1996 U.S. American cheese production through October increased 6 percent from the same period in 1995.

Feed grain prices were higher in 1996. Corn reached a record-high price nationwide in August at \$4.30 per bushel. High feed prices and lower quality hay prevented many farmers from taking full advantage of higher milk prices.

The number of dairy farmers in the state continues to decline, following the trend of previous years. As of Dec. 31, 1996, there were 24,953 dairy farms on the dairy license list, down 1,403 from the beginning of 1996.

USDA and the dairy industry are studying alternative pricing mechanisms to the current BFP. A task force appointed by Governor Thompson has recommended eliminating the National Cheese Exchange price from the BFP calculation.

Feingold to work for dairy policy reform

RAY MUELLER

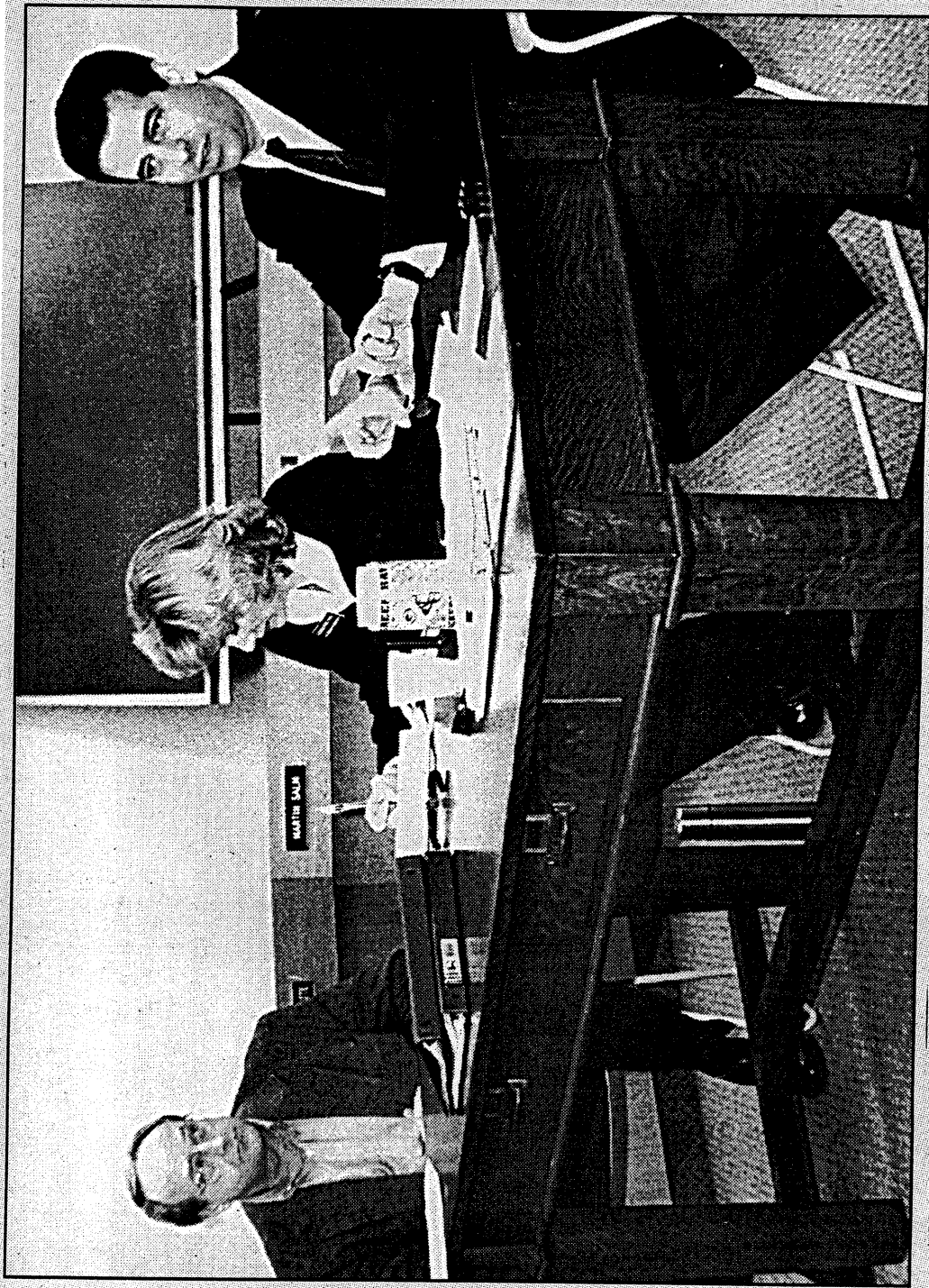
CHILTON

"I will work on dairy policy reform every day but I do not promise any results," U.S. Senator Russ Feingold (D-Middleton) told the farmers in his audience of 25 at his annual listening session in Calumet County on January 3. He acknowledged "a tremendous frustration" on the issue and noted "I'm open to looking for alternatives and a whole new approach."

Feingold wasn't more specific on that point but suggested the questions of milk prices and dairy policy might ultimately be decided on whether "the whole society wants to have family dairy farms." He also mentioned the possibility of "a special commitment to agriculture" by the federal government with some help from state governments.

The current U.S. Secretary of Agriculture, Dan Glickman, unlike a series of predecessors, "is more open-minded but still not that great," Feingold commented. "He seems willing to bite the

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ANNUAL VISIT - U.S. Senator Russ Feingold (right) invited Wisconsin Assembly Agriculture Committee Chairman Al Ott to join him at the head table for Feingold's annual visit with Calumet County residents. Feingold and Ott once served together in the Wisconsin Legislature. In the center is Suzanne Brault Pagel, the manager of Feingold's Fox Valley office.

(Photo by Ray Mueller)

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Dairy policy reform Feingold priority

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bullet, however, and is starting to take some small steps." He cautioned that a proposed cut to 10 or 11 federal milk marketing orders will do little for pricing reform.

Feingold advised dairy farmers not to expect anything from recent calls for a special across-the-board minimum milk price, such as \$14 per hundred. "That is not realistic and it will not happen," he emphasized.

"The National Cheese Exchange at Green Bay has done great harm to farmers in this state," Feingold continued. "The \$4 drop in milk price was devastating. There are vested interests on the NCE for pushing down the cheese price for their own benefit." He urged state and federal officials to keep putting "heat" on the NCE. (Feingold didn't know it at the time but the prices for block cheddar cheese on the NCE rose 9 1/4 cents per pound (or over 18 percent of the loss since October 18) in the NCE trading session that concluded as his meeting with citizens began here.)

Dairy farmer Wilmer Geiser of rural Chilton said the NCE should not be used in the overall dairy pricing formula because it is merely a market for clearing surplus cheese. "I don't know where we're headed in this country but the raw product producers are being stretched to the limit," he added. "The basic product has no value for the end product. But I do not know how to change that."

"If we could have done something

about that, we would have and Senator Feingold would have in Washington," Wisconsin assembly agriculture committee chairman Al Ott (R-Forest Junction) told the farmers. "It's very frustrating. Wisconsin is being handicapped."

Feingold denounced the pending Northeast Dairy Compact, being created with Glickman's approval, which is designed to increase milk prices for dairy farmers in the six New England states. Referring to the federal court challenge to the compact, Feingold said "I think we will win this one (stop the compact)." He suggested that boosting the prices in New England would lead to overproduction of milk there and lower prices in other areas.

Dairy farmer Joe Faust of rural Malone in Fond du Lac County challenged Feingold, arguing instead that the Northeast compact is an effort by dairy farmers to help themselves. "We cannot have one region doing this," Feingold replied. "We are a national dairy market."

Faust said the compact idea "shows how frustrated farmers are over 16 years with the same milk price." He said dairy processors should be required to advertise their own products and suggested a two-year transition program after which dairy farmer organizations would negotiate with processors on milk prices.

Feingold said the Class I milk differentials (lowest in Wisconsin) are hurting the state's dairy farmers too. He said "they create an artificial market that is a form of subsidy."

mobile club members and others from northeastern Wisconsin joined a rally that attracted about 100 protesters from across the state. They gathered for speeches inside the Capitol rotunda as temperatures sagged near zero and winds howled outside.

Another Fox Valley dairy farmer, Gerald Vander Heiden, Seymour, was among the dozen spokesmen selected for the meeting with Thompson.

He said he considered the meeting fruitful even though it produced no immediate action on the pricing problem. "I don't think that it's a waste of time because the more we

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can talk to people like the governor, the more we get our point across."

Vander Heiden echoed remarks by a succession of speakers during the rally that continued even as the dozen spokesmen met with Thompson.

He told reporters that politicians and the big business interests in the food industry "want to keep this cheap food policy in this country."

"Some day this country is going to starve," he warned. "We can't survive on cheap food."

Bob Grode, Freedom, president of the Outagamie County Alliance of Snowmobile Clubs, and several county club members with posters expressing support for the farmers, were on the bus with the farmers.

Grode said a county farm implement dealer showed support by chipping in part of the cost of renting the bus.

Keane said Thompson urged the group to maintain unity among themselves, snowmobilers and other state residents to present a single position in dealing with the federal government.

The crowd in the Capitol displayed an assortment of group affiliations and approaches to the problem. Some talked of withholding or dumping milk on Monday in protest of low prices.

Representatives of labor groups, Democrats and others raised signs and gave speeches accusing Thompson of siding with big business interests and against the small farmer.

Thompson's agriculture secretary, Alan Tracy, said one of the farmers in the private meeting referred to the Republican Thompson's affiliation with business groups.

"One of them raised the point, but the governor pointed out that he's the best friend they have ever had in that office," said Tracy.

Governor 1/18/97 lends ear to dairy farmers

■ Outagamie County was well represented by farmers and snowmobilers at the Capitol dairy price rally and meeting with the governor

By Cliff Miller

Post-Crescent Madison bureau

MADISON — State dairy farmers won Gov. Tommy Thompson's promise Friday to take their complaints and some of the farmers themselves to a meeting next month in Washington with Agriculture Secretary Dan Glickman.

Dairy farmer Bob Oudenhoven, Kaukauna, was among a dozen protesters who met in private with Thompson for an hour Friday to discuss complaints about the National Cheese Exchange in Green Bay and related dairy price issues.

Oudenhoven said Thompson promised to urge Glickman and President Clinton to issue an executive order removing the cheese exchange as a dominant force in setting dairy prices. The farmers also want federal officials to place a floor under cheese prices to protect farmers against further losses, Oudenhoven said.

Oudenhoven said swift action by executive order is essential. "We don't have any time."

"The governor is very concerned, very supportive, and he agrees with them (the farmers)," said Thompson spokesman Kevin Keane after the meeting. "But the bottom line is that this is a federal issue."

He said Thompson had just received confirmation of an appointment for the governor and a delegation of Wisconsin farmers to meet with Glickman on Feb. 4.

"The biggest thing is to get the National Cheese Exchange disconnected from the pricing of milk," said Keane. He said the federal administration has the authority to make that change by executive order, without congressional approval.

Cheese Soars

By Joel McNair
State Editor

Some things can be easily explained. Others are tougher. Finally, there's what happened Jan. 3 at the National Cheese Exchange. Block cheddar cheese soared 9.25 cents a pound, and barrels climbed 6.25 cents in moderate trading at the Green Bay market. This happened just one week after the last of a three-month series of cheese price declines that slashed nearly 51 cents from the exchange block quote.

It came on the heels of continuing industry reports of tidal waves of unsold cheese and 'burdensome' inventories. It followed a holiday week that saw a long line of milk tankers from throughout the eastern U.S. heading to the Upper Midwest to have surplus milk manufactured into cheese.

And, the cheese exchange reversal occurred on the first Friday following the close of the 1996 fiscal year at some cheese-buying companies. Could such a business factor have had something to do with one of the biggest single-day price increases in cheese exchange history?

"It's very likely," answered Bob Cropp, dairy economist at the University of Wisconsin-Madison.

Last Friday's cheese exchange activity overshadowed some moderately good news for milk prices. The Basic Formula Price (BFP) for December was announced at \$11.34 per hundredweight, down 27 cents from November.

This was good news because the BFP decline was far smaller than had been predicted by many analysts. Dairy product prices - primarily cheese exchange quotes - had fallen the equivalent of 85 cents per hundredweight from the November average.

But product prices are just one of two parts of the BFP calculation. The other portion of the December BFP came from a USDA survey

of November Grade B pay prices in Minnesota and Wisconsin. As it turned out, those pay prices were far higher than the announced BFP for November.

The USDA's monthly survey showed that November Grade B prices in the two states averaged \$12.19 for 3.5% milk, or 58 cents above the November BFP. Thus, the 85-cent product price adjustment for December was taken from a higher-than-expected price. This confirmed reports that dairy plants added money to November paychecks in an effort to take some of the bite out of the biggest monthly price drop in history.

The BFP serves as the base price for virtually all Grade A milk checks in the Upper Midwest. While almost all Grade A checks will thus see price declines, those reductions will be smaller than many people predicted for December milk. Still, many December Grade A checks will carry pay prices nearly \$4 below those offered for September.

Many people had been expecting cheese prices to strengthen before the middle of February. Barrel cheddar, the product that precipitated history's biggest cheese exchange price fall, saw a 3-cent price hike Dec. 27. Reports in the industry indicated that cheese was selling well, and that inventory levels were declining. Butter was also in a holiday sales boom, with wholesale prices rising about 16 cents a pound in December.

While milk production was staging a bit of a comeback, expensive hay and spotty grain quality was expected to keep a lid on any major surges. Repeated deluges in parts of the West and Northwest will cause further milk production problems in those areas.

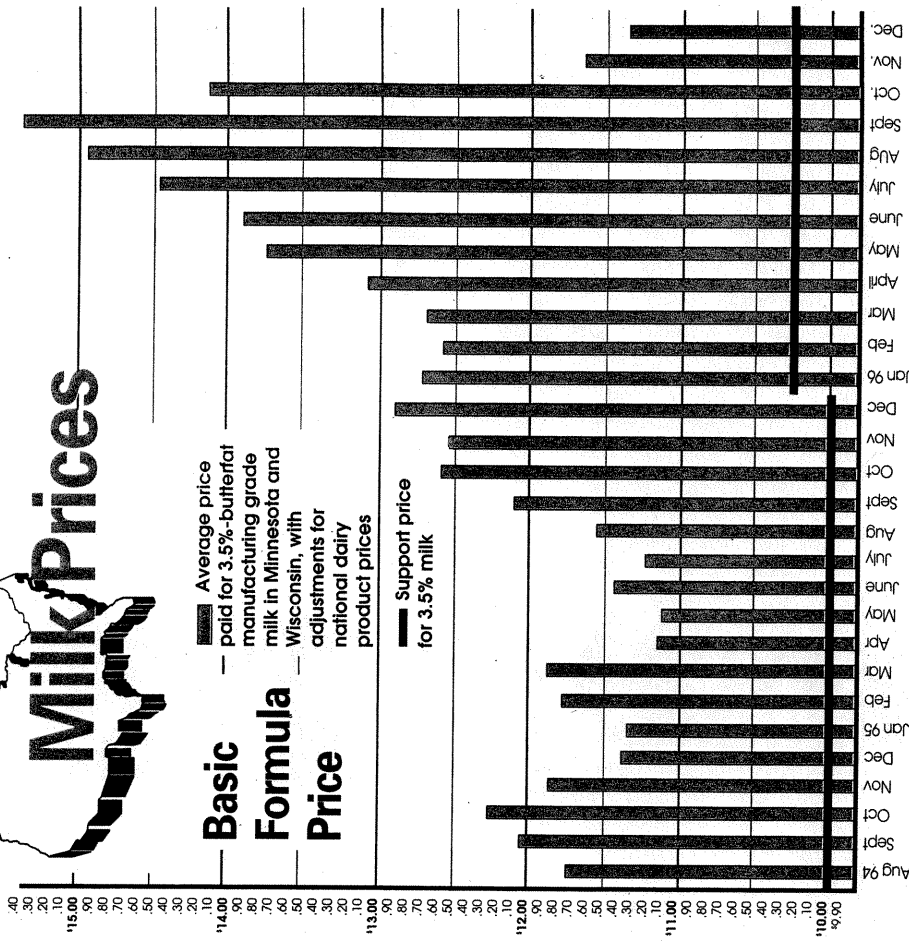
But a 9-cent rise on the first Friday of the year wasn't in anybody's cards. Barrel cheddar prices were bid up by Beatrice Cheese, which bought 16 loads (670,000 pounds). The final block cheese price was established when AMPI covered two loads offered by Dairystate

AGRI-VIEW

Milk Prices

Basic Formula Price
Average price paid for 3.5%-butterfat manufacturing grade milk in Minnesota and Wisconsin, with adjustments for national dairy product prices

Support price for 3.5% milk



Brands, the cheese brokerage that directly precipitated last October's "Black Friday" block day at \$1.28 a pound, while barrels reached \$1.24, or 9.25 cents above the low point reached last month.

Cheese offerings at the exchange had been slim since Thanksgiving. However, there were reports in the industry through much of December that plenty of unsold cheese was available to the market.

Meanwhile, a lot of cheese was made between Christmas and New Year's Day as milk that would normally go into fluid channels backed up into manufacturing plants. Surplus milk in the Upper Midwest was selling for an average of about \$10.50 to \$10.75 during the holidays, the USDA reported.

"It doesn't surprise me that the cheese market is strengthening, because we had an overreaction in the downward direction. Prices were too low," Cropp said. "But I didn't expect it to go back up this quickly."

The economist doesn't expect this to be the last cheese price increase of the winter. While he wasn't sure if another hike would happen Jan. 10, Cropp believes increases will occur by February at the latest.

Where does that leave projected milk prices for 1997? Both Cropp and the USDA forecast that prices will average about \$1 below the 1996 level. While that's a substantial drop, it would be the second-highest milk price year in history (not accounting for inflation).

In a move that is expected to have very little immediate impact on farmers, the USDA announced that it had reduced Commodity Credit Corporation (CCC) purchase prices for cheese and nonfat dry milk beginning Jan. 1. The change was required by the 1996 farm bill, which dictated a 15-cent decline in the milk support price, to \$10.20. CCC prices for barrel and block cheese were reduced 1.5 cents a pound, while the nonfat dry milk support was cut 1.8 cents. The butter purchase price remained at its previous level.

Farmer rally draws low attendance

Madison

Muscoda dairy farmer Randy Jasper heard about what he expected when he and 12 other dairy farmers met with Gov. Tommy Thompson Jan. 17 during a protest at the state Capitol.

Mr. Jasper joined 60 dairy producers that rallied at Madison to bolster public attention about low milk prices. Gov. Thompson would not address the entire group in the Capitol rotunda, but agreed to meet with a smaller group in his office.

Producers met with the governor for more than an hour. They were joined by Wisconsin Secretary of Agriculture Alan Tracy.

Mr. Jasper, who is affiliated with the American Raw Milk Producers Pricing Association, said Gov. Thompson told producers he is doing his best to improve Wisconsin's dairy economy.

Those efforts are not good enough, Mr. Jasper said: "What we heard was unsatisfactory.

They (government) will not get anything done fast. It could take 1 to 2 years and a lot of us don't have that long. Anything that will happen must be initiated by dairy farmers."

ARMPPA's plan to raise milk prices drew considerable discussion, Mr. Jasper said. While Gov. Thompson would not endorse the concept, Mr. Jasper said the governor told producers that the Department of Agriculture, Trade and Consumer Protection will issue a press release saying efforts to raise milk prices could not be legally challenged.

Mr. Jasper called it minor progress. "It was the only thing positive from our meeting," he said. "I heard the things I expected to hear. The governor talked about all the good things he has done for agriculture."

Mr. Jasper said dairy producers must stop rebuking farmers' actions to gain support for higher milk prices, such as closing land to snowmobiling and par-

ticipating in a milk strike. Whatever path a producer follows, others must support that choice, he said.

"We must stop breaking ranks," he said. "Jump on anything you feel comfortable with. Stress the positives with any idea being tried to raise milk prices and go with it. Farmers must make this happen."

Madeline Flogel of Platteville, one of the rally organizers, took issue with Gov. Thompson's description of 1996 as the year of the farmer in Wisconsin.

"We had 1,403 dairy farmers go out of business in 1996," Mrs. Flogel said. "That does not sound like a year of the farmer to me."

Mrs. Flogel, who has been vocal in past efforts to improve Wisconsin's dairy industry, said progress has been minimal.

"A lot of us were here 5 years ago talking about the same thing," she said. "We did not get justice then and we will not get

justice today from this building. In 5 more years there may not be enough farmers in Wisconsin to hold another rally and Mr. Thompson and corporate farmers will have won."

Darin Von Ruden, the Westby producer that spearheaded the milk strike and member of the Governor's Task Force on the National Cheese Exchange, also was at the rally.

When he was asked to accompany a farmer delegation to Washington, D.C., to present recommendations to legislators to improve NCE trading activity, Mr. Von Ruden initially declined. He now is reconsidering and may make the trip in early February.

Mr. Von Ruden said he wants to make sure those that see the report know a significant number of Wisconsin dairy farmers are unhappy with the report's final recommendations.

Rally participants repeated the need to secure support from consumers. Farmers received a vote of confidence from Madison attorney Ed Garvey and Secretary of State Douglas La Follette.

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

Mr. La Follette said "we must get consumers on the side of the farmers. Producers should team together and go to grocery stores and educate them about what is happening. Let consumers know that current trends toward corporate agriculture will affect them. You can't tell me that Kraft and Philip Morris care about family farmers."

—Bob Kliebenstein

Ott authors resolutions on NCE activity for new season

MADISON

Resolutions introduced in the Wisconsin State Assembly relating to activity concerning the National Cheese Exchange (NCE) are receiving tremendous support according to State Representative Al Ott (R-Forest Junction), Chairman of the Assembly Agriculture Committee. The State Assembly began its 1997-98 legislative session on January 14.

"We're going to send a message to Washington that we want some changes made," said Ott, referring to the two resolutions he has introduced which will be forwarded to Washington officials and Wisconsin's congressional delegation upon their passage in the State Legislature.

Assembly Joint Resolution (AJR) 5 requests United States Department of Agriculture Secretary Daniel Glickman to cease using the market activities of the

NCE in determining the basic formula price for manufacturing milk. Also, the bill requests that a broad-based formula that more accurately represents market conditions for milk be established. The NCE price that is currently 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.

Ott's second resolution, which has not yet been numbered, asks the Commodities Futures Trading Commission (CFTC) and the Federal Trade Commission (FTC) to reevaluate their regulatory authority over the NCE. The two bodies have previously said that they do not have regulatory authority over the Exchange, however, they now appear to be open to the possibility of federal oversight of this national price-setting mechanism.

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FARMERS HAVE PROTESTED, without much success, at the National Cheese Exchange in Green Bay for fairer pricing. Post-Crescent file photo by Michael Leschisin

State may boot cheese exchange

■ **Some farmers can't wait for federal action on dairy prices, they tell state senators**

By **Cliff Miller**
Post-Crescent Madison bureau

MADISON — The state Senate author of a bill to regulate trading on the National Cheese Exchange in Green Bay told opponents Tuesday she wouldn't care if her bill drove the exchange out of Wisconsin.

"It doesn't seem to me that it serves a good purpose to have an agency in the state that is undermining our dairy industry," said Sen. Alice Clausing, D-Menomonie.

She was responding to the prediction by Alan Tracy, secretary of the state Department of Agriculture, Trade and Consumer Protection, that the cheese exchange may respond to attempts at state regulation by moving out of the state.

Tracy opposed the bill, arguing the mechanism for setting milk prices is a federal issue that should be resolved in Washington. Clausing chairs the Senate Agriculture and Environmental Resources Committee that held the hearing on her bill.

State Sen. Alan Lasee, R-De Pere, sided with Clausing in a show of bipartisan support for the measure. It would impose state Fair Trade Practices Act restrictions on the cheese exchange in an effort to outlaw alleged price manipulation by the

Cheese exchange dates from 1909 in Wisconsin

A central trading point in the state for cheese transactions dates back to 1909 when the Dairy Board in Plymouth, permitted any cheese factory in the state to trade on its board.

Previously, cheese trades were conducted on a regional or county basis. The central location for state transactions was designed to encourage more competitive bidding.

In 1918 it was renamed the Wisconsin Cheese Exchange.

The Wisconsin Cheese Exchange came under criticism by farmers and a rival board was established in 1921 called the Farmer's Call Board. The Farmer's Call Board also came under fire and was discontinued in 1941, leaving the Wisconsin Cheese Exchange as the only central trading point.

In 1956 the Wisconsin Cheese Exchange moved to Green Bay and, in 1974, changed its name to the National Cheese Exchange. It has remained ever since.

The board and its predecessors

have often been the objects of investigations and accusations.

In 1911 dealers and purchasers were found to have engaged in a price-fixing scheme.

In the 1930's, an extensive investigation into the Farmer's Call Board by the Wisconsin Department of Agriculture led to prosecutions for price fixing of Swiss, American and brick cheeses.

In 1987, another investigation was launched in response to falling cheese prices, but investigators found there was no evidence of any price collusion and the falling prices were due to the forces of supply and demand.

The NCE is governed by a six-member board of directors and a president. Only members can trade, and membership is open to anyone who can demonstrate "that he or it is suitable to assume responsibilities and privileges of membership."

In recent years there have

Please see **CHEESE**, B-9

exchange.

The committee of three Democrats and two Republicans later

voter unanimously to recommend Senate passage of the measure with modest amendments.

Lasee said even stock trading is regulated but cheese isn't. To a manufacturers' group spokesman who said state regulatory efforts would confuse national attempts at reform, Lasee said, "What about the confusion of the guy who's milking the cows?"

He told defenders of the exchange who opposed the bill. "You ought to be on the same side" as the farmers.

Selling cheese for less than the outside market price or buying for more would be prohibited by the bill. Traders who are customarily buyers would be banned from occasional selling and sellers couldn't switch to buying.

Critics charge that such practices are used to manipulate prices artificially. Defenders said the bill would outlaw perfectly legal and justifiable business practices, such as cooperatives buying above the market price to shore up prices.

Meeting on Fridays in Green Bay where it is headquartered, the exchange trades in cheddar cheese. The prices set by its transactions heavily influence the price farmers get for milk.

Since last fall, when prices on the exchange plummeted, Clausing said dairy farmers have suffered a 25% cut in wages because of the exchange.

The hearing attracted opposition from a number of dairy industry associations, manufacturers, cooperatives and distributors of cheese and dairy products. A number of farmers spoke

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EXCHANGE: May get the boot

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in favor of the measure.

U.S. Rep. David Obey, D-Wausau, and U.S. Sen. Herb Kohl, D-Wis., sent statements of encouragement.

Farmer John Kinsman of La-Valle in Sauk County supported Clausen's call for swift state action rather than waiting for lengthy federal proceedings to take effect. Kinsman said many farmers need improved prices before spring to produce enough cash flow to qualify for normal seasonal loans. "We can not wait beyond this spring," he said.

A similar proposal was rejected by a task force named by Gov. Tom-

my Thompson to study the cheese exchange. Tracy said investigating and proving violations of the proposed trading regulations would be costly for his department.

A member of the task force, farmer Darin Von Rudin, Westby, denounced the task force decision. "The governor's task force gave the National Cheese Exchange the right to kill farmers."

One critic objected that the state effort could affect dairy prices nationally.

Clausen shot back, "That's exactly what we want to do - Bingo! We have a rare opportunity of making something happen (nationally) right here in the cheese state."

CHEESE: Exchange here since '09

From B-7

been 35-40 members and the current members represent approximately 90% of the cheese industry.

Members include Kraft General Foods, Beatrice Cheese Inc, Alpine Lace Brands, Inc., Schreiber Foods, Associated Milk Producers,

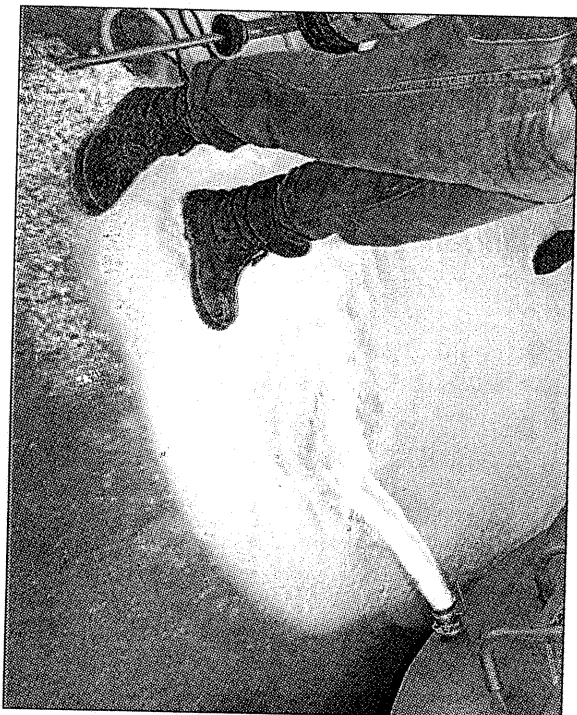
Mid-American Dairymen, Inc., Land O' Lakes, Inc. and Dairystate Brands, Inc.

■ *Source: Cheese pricing; A study of the National Cheese Exchange by Willard F. Mueller, Bruce W. Marion, Maqbool H. Sial and F.E. Geithman, March, 1996.*

MILK PUD-

DLES at the feet of farmer Brian Hague Wednesday at his dairy farm near Sulphur Springs, Texas. Hague joined dairymen in nine states to protest falling milk prices.

AP photo by Marco Antonio Medina Sr.



Dairy farmers nationwide not crying over spilled milk

By John Hartzell

Associated Press writer

Dairy farmers protesting a steep decline in prices dumped their milk Wednesday or diverted it to charitable groups in what one participant characterized as a tough but necessary step.

"A farmer spills a half pail of corn and he picks it up," said Darrel Waugh of rural Poyette, Wis., one of those who took part by dumping his milk. "So this is hard to do."

Organizers had said they expected farmers from Minnesota, Vermont, Pennsylvania, New

York, Missouri, Texas, California and New Mexico as well as from Wisconsin to take part in the one-day action.

But organizer Darin Von Rudin, a Westby Wis., said he had no word on how many actually took part and did not expect such figures to be available.

"We were just individual dairy farmers doing what we had to do," he said.

Von Rudin said support from established farm groups was not sought for the effort.

"I felt going in that I didn't want organized

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PROTEST: Milk spilled to make point about pricing

From B-1

support because it can destroy an organization," he said, pointing to what he said was backlash that took place after milk dumping during the 1960s.

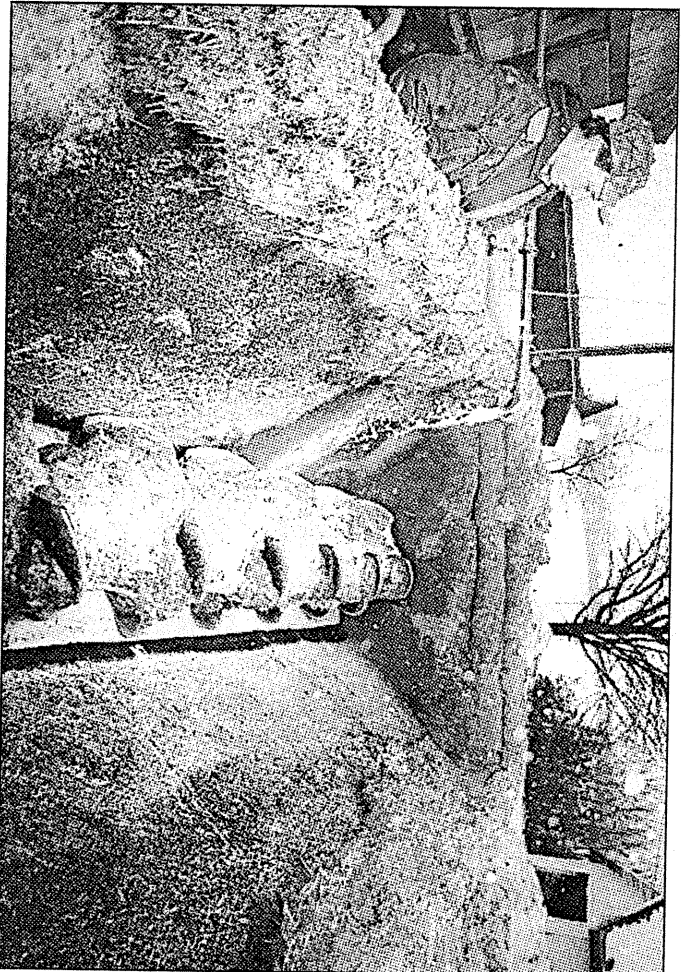
But Clint Van Vleet, a Sulphur Springs, Texas, dairyman and president of the 250-member Texas Milk Producers Association, said 250,000 to 500,000 gallons of milk were dumped in that state.

"We are sending a message to the government that we want the price system thrown in the scrap heap," he said.

"Farmers were waiting for somebody to do something," Van Vleet said, adding that he has asked U.S. Agriculture Secretary Dan Glickman to ask the president to create a task force of consumers and farmers to study milk prices.

The basic price farmers are paid for their milk has declined from more than \$15 per 100 pounds in September to \$11.30 per 100 pounds at the end of December.

Some farmers receive additional pay for high quality, high volume or components such as protein.



AP photo by Steve Kinderman

DAIRY FARMER Dan Moos pours milk into a manure spreader to be used as fertilizer on his New Auburn farm Wednesday.

Farmers and some others have blamed the federal government's use of the National Cheese Exchange in Green Bay to set milk prices.

They say that the small cheese

summer said they found no proof. Glickman supports ending the dependence on the exchange to set milk prices as a short term solution to the problem.

Glickman has said he plans to issue options this spring to possibly replace the current pricing system.

Dave LaBarge of Loyal, Wis., said that instead of dumping his milk, he planned to take the dollar value of Wednesday's production and buy cheese, which he would donate to St. Anthony's Catholic School in Loyal.

"We didn't want to see the milk thrown away," LaBarge said.

"We're also hoping to stimulate a price increase."

The Pennsylvania State Grange encouraged milk producers to donate milk to food kitchens if they wanted to make a protest.

"We don't believe our producers should be dumping their milk," said Grange spokesman James Mentzer. "We feel that they should be donating their milk for a day. It shows agriculture and dairy producers in a bad light — people just see them dumping milk. It gives agriculture a black eye."

Economist Reviews

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Collins continued. Cheese prices dropped approximately 30 percent from mid-October through the end of December, and that drop occurred so fast that it led to a lot of producer concerns about price manipulation on the National Cheese Exchange (NCE). Butter prices dropped 56 percent in October and November.

Concerns over falling prices roughed out a number of proposals from industry to stabilize the dairy market. One class of proposals was to use dairy products in the domestic and international feeding and nutrition programs to a greater degree. The second class of proposals was to increase milk prices through increased government intervention by lowering the Basic Formula Price (BFP) and also by eliminating the use of price data from the National Cheese Exchange in determining the BFP.

In response to all these proposals, secretary of Agriculture Dan Glickman last week announced several actions to help stabilize milk prices, Collins noted. He noted that USDA would directly purchase \$5 million worth of cheese for use in domestic food assistance programs. That's in addition to USDA's operating procedure of the last couple of months, which was to cajole school districts to buy more dairy products and place orders in advance.

And they have been doing that, Collins indicated. So far this fiscal year (which began October 1, 1996), USDA has purchased about 28 million pounds of cheese, compared to an average of 22 million pounds during the last two years.

USDA will also try to respond to concerns about the accuracy of cheese prices, Collins said. This is an incredibly complex issue, it's a difficult issue to address, he said. He listed some of the things USDA has been asked to do:

- Regulate the National Cheese Exchange (NCE).
- Have President Clinton issue an executive order requiring the Commodity Futures Trading Commission (CFTC) to regulate the NCE.
- Issue an executive order prohibiting trading against interest on the NCE.
- Use USDA's resources and take the lead in developing an alternative to the NCE.
- Report more and better cheese price data.

•Drop cheese prices from the BFP.

So far, we have not taken much action on most of those suggestions, Collins said. For example, USDA doesn't have any authority to regulate the NCE. He also doesn't think it's appropriate for USDA to try to organize a private market for cheese buyers and sellers, although the agency is participating in discussions regarding that possibility with the Coffee, Sugar & Cocoa Exchange.

One thing USDA will try to do is collect and publish more and better cheese price information, Collins said. Beginning at the end of this month, USDA's National Agricultural Statistics Service (NASS) will start asking for Cheddar cheese prices received by manufacturing plants. It will take a few months for USDA to determine if it's getting something it can use or not, so it probably won't be until April or May that NASS begins to publish a cheese price series.

USDA will also review its use of NCE prices as part of the congress-

sional mandate to reform and consolidate federal milk marketing orders. However, Collins said, the agency does not plan to hold a separate federal order hearing to address the BFP.

The BFP has been controversial itself because of its use of the NCE price, Collins said. Some have suggested that the NCE price biases the BFP downward, so that producers receive less than they would if USDA didn't use NCE prices.

But up to now, that simply has not been true, Collins said. Looking over the 19-month period starting when the BFP started (May of 1995), when you compare the BFP with the actual base month M-W price, the BFP has actually averaged about half a cent per hundredweight higher than the M-W.

However, Collins added, the largest difference between the BFP and the M-W price occurred in the month for which USDA has the most recent data - November of 1996. In that instance, the BFP was 58 cents below the M-W price, and that has again fueled producer concerns over the BFP, he said.

Glickman's response to the overall price controversy has been prudent, reasonable, economically sound, and well thought-out, Collins said. The actions announced by Glickman last week will provide a modest boost to demand which, coming at a time when dairy prices are already firming, may accelerate a rebound - which is widely expected in the coming months, even without USDA's actions.

Most dairy groups have also asked Glickman to use his authority under federal orders to establish a floor under the BFP for the purpose of establishing Class I and Class II prices, Collins said. That issue continues, he indicated.

There are two compelling reasons why USDA has not taken that action, Collins said:

- The 1996 farm bill phases out price supports by the year 2000. Putting a rigid floor under Class I prices would mean using Class I prices as a proxy for price supports, and that would be inconsistent with the direction that dairy policy is taking in the 1990s. The battle for resurrecting support in

milk markets should be waged in the 1997 Congress, and not in the federal order hearing process.

•Placing a rigid floor under fluid milk prices would have widely different effects in different areas of the US. In areas with low Class I utilization, it could actually be disadvantageous. It would also raise consumer prices, and by doing so it would run counter to other announced actions which are intended to expand demand.

At this point, dairy markets appear to have a good foundation, Collins said, and that's supported by the recent strength in cheese and butter markets. Milk production continues to run about even with a year ago, and demand continues to increase fairly well, despite the fact that the Consumer Price Index for dairy products for the month of December 1996 was 10 percent above what it was in December 1995.

For the year ahead, USDA expects milk production to decline about 1 percent during the first quarter compared to a year ago. Thereafter, milk production will increase 1 to 2 percent. For 1997, milk production is expected to be up about 1 percent from 1996.

The all milk price in 1997 is projected to average \$13.65 per hundredweight, about a dollar lower than last year but still 75 cents above the average from 1990 to 1995, Collins said. For the most part USDA expects

1997 to be less volatile than 1996, but still a fairly strong dairy market.

However, Collins pointed out that one year ago, USDA forecast a 1996 (marketing year) all milk price of \$13.00 per hundredweight. It turned out to be \$14.40.

The price volatility the dairy industry has seen over the last few years reflects the dairy policy choices made over the last 15 years, Collins noted. At the start of that period, USDA was supporting the price of milk at 80 percent of parity with semi-annual adjustments. Today, 80 percent of parity would be \$22.00 per hundredweight - more than double the current \$10.20 price support level.

At the current support price, the government is essentially out of the market, Collins noted. The result is a more variable market, featuring large swings in wholesale dairy product prices and prices to producers.

This is a variability that is common to many agricultural markets, but this variability has not yet been fully appreciated or dealt with by America's dairy producers, Collins said. Many recognize the need to deal with variability, but some producers ignore that and argue that what they need is higher average prices.

But it's clear that what Congress has said over the past 15 years is that government intervention is not needed to ensure prosperity for dairy farmers or the dairy industry, Collins said. (See Economist Reviews on Page 7)

Ag department looks at cheese exchange pricing

WASHINGTON (AP) — The Agriculture Department will speed its review of whether price data from the National Cheese Exchange should help set the price of milk, Agriculture Secretary Dan Glickman said Wednesday.

Glickman announced the review in response to charges from Wisconsin lawmakers and dairy farmers that the exchange prices may not reflect true market conditions. "We should not allow a market fraught with flaws as the National Cheese Exchange to have such extreme influence over milk prices paid to farmers," Sen. Herb Kohl, D-Wis., said. "The NCE is a mill-

The NCE is a millstone around the necks of Wisconsin dairy farmers.

HERB KOHL, Wisconsin senator

stone around the necks of Wisconsin dairy farmers." Critics say the exchange, in Green Bay, accounts for a small share of the market and its transactions are dominated by big food companies such as Kraft Foods Inc., which have an interest in low milk prices. "We must address these concerns now so that dairy producers

have confidence that the prices they receive reflect market conditions," Glickman said. The department will take comments until March 31, then decide whether to hold hearings on eliminating exchange prices from the complex pricing formula. The 1996 farm bill calls for a review of how milk is priced and sets an April 1999 deadline for over-

hauling the system. Glickman's efforts should reduce some of the volatility in milk prices, said Sen. Russ Feingold, D-Wis.

"This welcome action comes at a time when milk prices have fallen 26% since September 1996 due to the drastic and unpredicted 50-cent decline in prices on the National Cheese Exchange," Feingold said.

■ *Comments may be sent to: Dairy Division, AMS, USDA; Attn: BFP Evaluation; Room 2968-S; Box 96456, Washington, D.C. 20090-6456.*

1/30/99 P/1

Senate passes bill regulating cheese exchange

1/31/97
P/C

■ Backers say the measure can prod the USDA to probe farmers' complaints

MADISON (AP) — The state Senate has approved legislation to regulate the National Cheese Exchange in Green Bay regardless of federal responses to complaints about prices paid farmers for their milk.

State Sen. Alice Clausing, D-Menomonie, said the bill approved 28-5 Thursday can prod the U.S. Department of Agriculture to investigate why farmers are not getting paid what they say it costs to produce milk.

Of six Fox Valley senators, all Republicans, four favored the bill and two opposed it.

Backing it were state Sens. Robert Cowles of Green Bay, Gary Drzewiecki of Pulaski, Alan Lasee of De Pere and Michael Ellis of Neenah. Opposing it were Sens. Robert Welch of Redgranite and Carol Buettner of Green Bay.

The legislation, which now goes to the Assembly, stems from complaints by farmers about a decline since September in the prices they get from dairies and cheesemakers for their raw milk.

Wisconsin farmers blame some of the problem on the exchange. It deals in only about 1% of the nation's cheese trade but prices that are bid by food companies influence the market nationwide.

Gov. Tommy Thompson has recommended the USDA stop using the exchange as a source of data for national pricing formulas but has old farmers the state is powerless to influence the exchange's marketing activities.

Passage of the bill follows an announcement Wednesday by USDA Secretary Dan Glickman

that his department will speed up its review of whether it should use price data from Green Bay.

The department is taking comments for its review until March 31. Then it will decide whether to hold hearings.

The 1996 federal farm bill gives the department until April 1999 to overhaul the federal system of setting raw milk prices.

Despite federal action, the bill approved Thursday is necessary to help farmers and encourage the USDA to act, Clausing said.

"You always have to have a couple of avenues when you pursue an issue, in case one closes. This bill is the hammer that's making the issue of fair milk pricing proceed," she said.

"The unknown about what the federal government will do and how long it will take is why the bill will proceed," she said.

In Congress, Sen. Herbert H. Kohl, D-Wis., has asked the USDA to revise its milk marketing orders.

"Both entities have a job to do. The state bill is constructive. If we are successful at decoupling the exchange from milk prices, that's another good thing but nobody knows when that's going to happen," Kohl said.

The bill would:

■ Prohibit traders from selling cheese at the exchange at prices below what they could get elsewhere.

■ Forbid a trader from being a buyer or seller at the exchange while simultaneously buying or selling elsewhere.

■ Require traders to notify the state of transactions outside the exchange.

■ Impose fines of \$1,000 to \$10,000 per violation, and criminal penalties of \$25 to \$5,000 per violation.

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State tiptoes after cheese exchange

■ As the Senate considers a bill to regulate it, the agriculture secretary says it just doesn't matter

By Cliff Miller

Post-Crescent Madison bureau

MADISON — If the Senate passes a bill to impose state trade regulations on the National Cheese Exchange in Green Bay, the Assembly Agriculture Committee chairman said Tuesday he will handle it with care.

"I will take a very deliberative approach," said state Rep. Al Ott, R-Forest Junction, of the Senate bill.

The Senate failed to act on it Tuesday, sending it to the Joint Fi-

nance Committee because the bill spends state money.

Ott had better luck in the Assembly with two related resolutions he sponsored. Without significant debate, the Assembly passed on voice votes and sent to the Senate Ott's resolutions asking federal agencies to stop using NCE trading to set milk prices and to consider imposing federal trading regulations on the exchange.

Only traders who try to manipulate the market have anything to fear, backers of the Senate bill say.

"We won't have any farmers left in the state if we continue to ignore what's happening out there in the real world," said Sen. Alan Lasee, R-De Pere.

The exchange handles less than 1% of bulk cheese and meets just once a week, but it is a key factor in

the prices the federal government sets for farmers' milk each month.

Milk prices have dropped from more than \$15 per 100 pounds in September to \$11.30 this month.

Opponents, including Kraft Foods, say the measure really seeks to shut down the exchange or force it to relocate through strict buying, selling and reporting requirements.

Supporters of the Senate bill accused the state Department of Agriculture, Trade and Consumer Protection of trying to defeat the bill by deliberately inflating a required department estimate of the cost of enforcing the proposed regulations.

The price targe is \$411,400 a year. Much of the cost would be for the seven full-time attorneys, auditors and staff such extensive oversight would require, said Agricul-

ture Secretary Alan Tracy, who opposes the bill.

"It won't have any impact on current prices and it won't have any impact on milk pricing. It's a federal issue that requires a federal response," Tracy said.

The proposal follows months of criticism by farmers and legislators who claim Kraft and other large traders manipulated the market, causing a steep decline in milk prices paid to farmers since last September.

"The 33 members of this body could do more for farmers by picking up a pound of mozzarella cheese on the way home than by passing this bill," said Sen. Robert Welch, R-Redgranite.

"The bill would severely limit trade

SENATE BILL

■ Would prohibit traders from selling cheese at the exchange at prices lower than they would get elsewhere, or buying cheese there at higher prices.

■ Would bar a trader from being a buyer or seller on the exchange while acting as a buyer or seller off the exchange.

■ Would require all traders on the exchange — about three dozen — to report all transactions off the exchange to the state.

■ Would impose civil penalties of \$1,000 to \$10,000 per violation, and criminal penalties of \$25 to \$5,000 per violation.

Please see **EXCHANGE**, B-6

EXCHANGE: Senate considers bill

From B-1

ding on the exchange" or force it to move out of state, said University of Wisconsin dairy economist Ed Jesse.

Senate majority Democrats were hoping to get quick finance committee action today so the Senate can act on the bill Thursday.

Ott said his aim is to consider the welfare of the entire state dairy industry and to avoid having the Cheese Exchange become "a political whipping boy."

The dairy industry in the state is a \$17 billion a year enterprise, of which dairy farmers get about \$3

billion, he said.

"My responsibility as an agriculture legislator is to the whole industry," he said. Some legislators and interest groups are seeking to elevate the interests of farmers above the rest of the industry, he said.

Ott said the issue resembles the controversy over bovine somatotropin, or BST, a hormone treatment of dairy cows to boost milk production. That debate also divided the dairy industry while rival groups sought political advantage, Ott said.

■ *The Associated Press contributed to this story.*

Cheese Exchange bill back on track in State Senate

JAN SHEPPEL

MADISON

Debate and maneuvering continued this week over a state senate bill that would make it illegal for traders on the National Cheese Exchange in Green Bay to "trade against interest." A three-year study of the exchange, done by the state with two noted University of Wisconsin agricultural economists, showed that there was a

pattern of trading against interest that appeared to be calculated to manipulate price by some of the larger traders on the Exchange.

At press time the bill was scheduled for debate on the Senate floor and was expected to pass with bi-partisan support. State Senator Alice Clausung, D-Menomonie, who is chair of the Senate's agriculture committee, authored the bill.

The bill, Senate Bill 2, which had a hearing last week, seemed on a fast track to passage with bi-partisan support until it was derailed briefly by a fiscal estimate this week.

An earlier fiscal estimate done by the Department of Agriculture, Trade and Consumer Protection, tabbed enforcement of the measure at a minor \$2,700. A new fiscal note, arrived at this week by

the Department of Agriculture, Trade and Consumer Protection estimated it will cost \$411,000 to enforce the law if it is enacted.

The department had decided it would take several more attorneys in its ranks to enforce the measure. But observers say the estimate was an obvious attempt by the Governor, through his cabinet, to kill the Democrat-sponsored bill.

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

But if it was an attempt to kill the bill, it was short-lived. The non-partisan Legislative Fiscal Bureau estimated that it will cost only \$43,500 to enforce the measure. The bill was pulled from Joint Finance and referred back to the Senate for consideration on Thursday (Jan. 30), an aide in Sen. Clausung's office said they believe the bill will pass easily. He also said that Clausung plans to fly to Washington to meet with Agriculture Secretary Dan Glickman, when Governor Thompson and a delegation of farmers meet with him next week.

At last week's hearing, a group of 23 of the nation's leading dairy cooperatives, processors and trade associations joined to oppose the legislation. "Virtually everyone in the cheese industry is opposed to this bill," said Linwood Tipton, president of the National Cheese Institute. "It is unworkable and certain to have adverse consequences far beyond the stated intentions of its sponsors."

Tipton said the bill would establish requirements that would be impossible to meet. "There is no practical way to learn what every potential seller is willing to sell cheese for or every potential buyer to

pay. Every trader on the Exchange would be at risk of severe penalties."

Wisconsin Farm Bureau agreed with the sponsors that the Exchange is not a good mechanism for setting milk prices, but that regulation of it would best be done by the federal government.

Dave Daniels, a dairy farmer from Kenosha and chair of the Farm Bureau Dairy Advisory Committee said "this is a national issue that needs to be addressed through federal order reform."

Daniels said that the legislation, as currently drafted, could harm Wisconsin dairy farmers by opening up farmer-owned cooperatives to lawsuits for purchasing cheese on the Exchange, which could be seen as "trading against interest."

Recently three major dairy cooperatives discussed forming a joint purchasing effort to purchase cheese on the National Cheese Exchange with the intent to enhance farmer income. Farm Bureau said Senate Bill 2 could then open these cooperatives up to potential lawsuits for trading against interest.

"It is the position of the Farm Bureau that regulatory oversight of the National

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Cheese Exchange bill expected to pass

CHEESE, cont. from page 1

Cheese Exchange should be done at the federal level," Daniels told Clausen's committee. "Over the last three farm bills, the Wisconsin Farm Bureau has requested Congress and the USDA to change our federal dairy pricing system."

The Wisconsin Federation of Cooperatives lauded the intent of SB 2, but testified that it is likely to "bring harm to Wisconsin's dairy industry because it would be implemented at a time when no other cash market exists."

"The likely result of this bill is that trade would be so broadly restricted – on an already thin market – that the National Cheese Exchange could likely no longer function," said Will Hughes, director of dairy policy at the WFC.

"That leaves the industry with no viable alternative to serve as a reference price on which to base contracted or negotiated sales. It could very well throw the marketplace into chaos and hurt Wisconsin dairy farmers."

State Agriculture Secretary Alan Tracy told the agriculture committee last week that the bill is similar to an administrative rule that was considered by his board earlier and was rejected. His board decided to defer consideration of the idea to the Governor's Task Force on Cheese Pricing which was then about to begin its work.

That task force, Tracy reminded the legislators, considered the "trading against interest" regulation and voted 13-3 against it.

"The primary reason the task force voted against the rule was the recognition that the likely consequence of the rule would simply be that the National Cheese Exchange would feel compelled to move out of Wisconsin. Task force members felt that if regulation of the Exchange is warranted, it should occur at the federal level.

"The task force recommended that the governor ask the Commodity Futures Trading Commission and the Federal Trade Commission to re-evaluate their regulatory authorities concerning the National Cheese Exchange," Tracy said.

Watching Cheese Exchange Would Cost Big Bucks

Just how much would it cost to implement Senate Bill 2?

According to the fiscal estimate prepared by staff at the Department of Agriculture, Trade and Consumer Protection (DATCP) and attached to SB 2, at least seven full-time positions would need to be added at the DATCP to implement the measures outlined in the bill.

In order to enforce the act which prohibits trading against interest on the National Cheese Exchange (NCE) at Green Bay, the DATCP believes it would have to monitor all trading activity on the NCE for possible violations. Estimates of staffing requirements indicate three agriculture auditors, two trade practice analysts, one senior attorney and one program assistant would be needed to carry out the provisions of SB 2. Duties of these staff members would include continuous monitoring of cheese market transactions (including on-site monitoring of the NCE), conducting investigations of alleged violations, investigative report preparations, formal administrative enforcement actions against violators, court enforcement proceedings against violators, and other administrative duties.

The two trade practices analysts would need to be knowledgeable about the industry and would be required to observe weekly trading activity on the NCE. They would review traders' reports, compile and summarize weekly, monthly and quarterly trading activities on the futures markets for cheese, butter, and other dairy products, as well as compile and summarize activities on the spot markets for cheese, butter and other dairy products and on the NCE.

The analysts would also identify suspected plans or actions to artificially manipulate the market price of milk or cheese. In addition, the trade practices analysts would have to coordinate their activities with those of the three agriculture auditors to conduct investigations of alleged violations.

It would be the responsibility of the analysts and the auditors to conduct financial and statistical analyses and detailed audits of transactions culminating in reports and recommendations for further legal actions.

The attorney would be involved in the investigations and it is anticipated that two current investigations would occur per year. The department expects a number of the issues involved would center around such things as trade secrets and litigation.

The attorney would need to be able to prepare a case sufficient to meet standards of proof for antitrust case filings. Such cases are anticipated to be highly complex and well documented for acceptance by the Department of Justice.

The fiscal estimate is that salaries, fringes,



Capitol Update

A Look at Legislation Affecting Farmers and Rural Wisconsin
By Joan Sanstadt
Field Editor

supplies and services for the extra personnel would come to \$411,400 per year. In addition, there would be one-time costs projected at \$18,200 for computers and other office equipment.

DATCP Secretary Alan Tracy told *Agri-View* he'd instructed his staff to estimate "what it would take to do a credible job of carrying out that law. I asked them to be conservative," he added.

While SB 2 would require Tracy's department to carry out its provisions, Tracy says, "The real problem with SB 2 is that it's a state effort to address a national problem. I'm concerned that it could mislead farmers into thinking it is actually doing something, and it won't. You can't fix the national pricing system with state legislation. All it is likely to do is move the NCE to Chicago or somewhere else out of state and does nothing to address the current price or price discovery mechanism."

On the other hand, Tracy believes the recommendations of the Governor's Task Force on the NCE "has some strong recommendations that, if followed by the federal government, will fix the problem. We're diverting people's attention from something that can get right to the heart of the matter (the task force recommendations) to a futile sideshow."

"Passing SB 2 won't change anything in terms of national pricing or the current price situation. There is nothing we can do that will change the current price situation, but we can have an impact on the national pricing mechanism that does need an overhaul."

Assembly ag committee on the NCE

In an early morning executive session, the Assembly ag committee, chaired by Rep. Al Ott (R-Forest Junction), unanimously passed two Assembly joint resolutions (AJR) dealing with the pricing of milk, the NCE, and the futures market. Rep. Ott is the lead sponsor for both AJR 5 and AJR 14.

A total of 39 state representatives and 15 senators indicated their support of AJR 5 by signing on as cosponsors. Thirty-three representatives and 11 state senators are cosponsors of AJR 14.

AJR 5 urges the USDA and secretary Dan Glickman "to cease using the market activities of the National Cheese Exchange in determining the Basic Formula Price for manufacturing milk and to instead establish a broad-based formula that more accurately represents market conditions for milk in establishing the Basic Formula Price."

AJR 14 asks the Commodities Trading Commission and the Federal Trade Commission to examine and reevaluate the extent of their regulatory authority over the National Cheese Exchange, including the need for any necessary regulatory revisions, for the purpose of extending federal oversight to the exchange.

At deadline, *Agri-View* learned that the Assembly took up both AJR 5 and 14, passed them unanimously, and messaged them immediately to the Senate. According to reports, majority leader Chuck Chvala (D-Madison) plans to take up the resolutions on Thursday, Jan. 30.

It appears the Senate did not debate SB 2 on Tuesday. Instead, the bill was sent to the joint finance committee (JFC) because of its fiscal note. JFC is required to scrutinize measures involving expenditures of large sums of money. **Utility merger on hold**

The expected decision by the Public Service Commission on the proposed merger between Wisconsin Energy Corporation and Northern States Power Company was put on hold last week when the Citizens Utility Board (CUB) and an environmental group obtained a court order from Dane County Circuit Judge Mark Frankel. Judge Frankel ordered state regulators to investigate allegations that PSC Commissioner Daniel Eastman is trying to benefit, personally, from the merger and that Eastman had illegal contact with Wisconsin Energy officials. Wisconsin state law prohibits commissioners from directly discussing a contested case with utility officials and others.

Merger opponents filed sworn statements from former PSC Commissioner Scott Netzel and Madison Gas & Electric official Mark Wilhamson that they heard the Governor's chief of staff, John Matthews, say Eastman wanted to profit personally from the merger.

An outside investigator is expected to conduct the investigation.

Environment and deregulation

Last week's Madison conference to address the environmental impacts of electric utility deregulation came right in the midst of the PSC controversy. Senator Alice Clausung (D-Monmouth), who last year headed up a Senate select committee on deregulation, was the closing speaker.

"I'm always concerned about changes, and up to now I haven't seen a need to change," she told the assembled group of environmen-

talists and industry officials. "The whole issue of utility deregulation makes me think of a steam roller just rolling along. That will be difficult to stop. Just because some states did a poor job of planning their energy needs doesn't mean Wisconsin citizens should be told we need to get on the bandwagon. We can change it, but everyone must be involved."

Senator Clausung said she expects the process toward deregulation "will continue," but during that process "we need to protect the environment and look at energy conservation measures. Ratepayers finance these plans that investors are profiting from."

Another concern, the senator continued "is about the large number of transmission lines. Four of the five counties in my district are adjacent to Minnesota, and utilities want to send transmission lines across the St. Croix River."

On the issue of the proposed merger between Wisconsin Electric Power Company (part of Wisconsin Energy Corporation) and Northern States Power, the lawmaker also had an opinion: "I don't get it," she said. "I thought the whole issue was one of competition."

Urging citizens to become educated about utility deregulation issues, Senator Clausung concluded her carefully timed remarks with, "I'm not convinced it all has to happen - yet. If it does, it should be a slow process."

UW-Extension chancellor resigns

The controversy over hiring a high-salaried assistant has led to the resignation of UW-Extension Chancellor Donald Hanna. The timing of the incident couldn't have been worse. University of Wisconsin System officials will soon be asking lawmakers to approve their \$5.3 billion biennial budget.

Several weeks ago it became known that Hanna had agreed to hire Roberta Gassman, a former assistant to Dane County Executive Rick Phelps, who is not seeking reelection. The problem arose when it was learned the advertised position had been for \$22,000 less than what Gassman will earn.

When the job description was changed in the middle of the hiring process, university procedures call for the position to be reposted. It was not.

State Rep. DuWayne Johnsrud (R-Eastman) lost no time in sending off a letter to the co-chairs of the legislative audit committee, asking the committee to conduct a hiring practices audit based on "the flagrant disregard of established rules by the chancellor."

The rural lawmaker said he views "this action as cause for a cool reception in the Legislature when the UW comes around fishing for pay raises. The ability of Extension to hire individuals at tens of thousands of dollars above the advertised range shows that they truly are not in the financial crunch they claim to be."

Cheese Exchange Bill Okayed, Sent to Senate

By Joan Sanstadt
Field Editor

the price of cheese on the National Cheese Exchange last fall. Since the pricing formula for raw milk is based on the price of block cheddar prices set at the exchange, the price farmers received for their milk also tumbled. Since October, milk prices fell almost 25% in line with dropping cheese prices. That led to dairy farmers having their incomes slashed by about \$2,200 a month, equating to about a 20% cut, she added.

While a number of remedies, such as speeding up the federal government's cheese purchases and creating and expanding other cash and futures markets for cheese, may help the problem, Senator Clausing called these "long-term solutions that may take months or years to change, but do not address the urgency of the problem."

She put the Cheese Task Force's recommendation calling for the USDA to make changes in the determining factors for the Basic Formula Price and having the Federal

Trade Commission and the Commodity Futures Trading Commission reevaluate their regulatory authority over the National Cheese Exchange in the "long-term solution" category and said such measures are not enough.

SB 2 would require enforcement and monitoring of the cheese exchange by staff of the Department of Agriculture, Trade and Consumer Protection (DATCP).

There were 18 speakers in favor of SB 2 and 13 against, while one person registered "for information only."

Here are a few of the comments:

- David Abt, Viroqua, an attorney and farmer with a 130-cow operation, urged passage of the measure. Giving the committee a brief history lesson, Abt compared the trading atexchange with the practices John D. Rockefeller used to drive out existing oil businesses "until all were gone. I might sell one cow worth \$500 for \$400, if I thought I could sell the rest for \$600," Abt said. "No market in the world runs like this. We're trying for free and fair markets all over the world. Why can't Wisconsin dairy markets be free and fair also? We have no confidence in the NCE that trades one-half hour once a week, involving only 1% of the cheese."

"This bill has teeth," Abt continued. "It goes a long way in solving some problems. These are not Washington problems, and it is up to us to fix them. It's fixing a wrong."

- John Hemmersbach, a dairy farmer from Cashton, claimed that the farm economy has deteriorated for the past 14 years. "Why? Because that's when the NCE started buying and selling. Some thought the price last summer was too high, but I know it is artificially too low. Why not sell directly to retail? So what about record prices if they don't meet the price of production?"

- Susan Strom, a Westby farmer, said she was forced to starve her calves and her dry cows and doesn't know how she can pay her feed bill of \$10,000. With five children ranging in age from two-and-a-half to 13, she's forced to get food at a food pantry and wear hand-me-downs.

"Farmers can't stay in business if we don't get our

cost of production. I want to buy my groceries at the grocery store and not get them at the food pantry," she told the committee.

- Bill Pfaff and Morris Nelson spoke on behalf of snowmobile clubs. Representing members who ride on more than 25,000 miles of snowmobile trails in the state, the two agreed. "Farmers are getting ripped off." They pledged to stand together with farmers.

- Steve Honish, a Tomah area dairy farmer, said he believed "the NCE must not be allowed to hold hostage the dairy farmer's check and their livelihoods."

- Richard Wagner, Weyauwega Milk Products, Inc., pointed out, "Cheese processors on the West Coast have proven they are viable competitors. I'd ask you to allow the industry to pursue other alternatives such as oversight by federal officials, a change in the pricing formula, and a combination of a cash and a futures market."

- Gregory Alaska, former AMPI official and operator of a dairy farm at Marshall, told the committee, "The last 10 years, Wisconsin has lost 10% of its production. The trend is downward and we haven't found a way to stop it. We've been involved in establishing the Center for Dairy Profitability, the Governor's 2020 program, and also the UW's study on the Green Bay Cheese Exchange."

Alaska said the federal orders were instituted to make an orderly system of providing milk to large populations. "It worked well until 1961, and when the M-W price was voted in, the government price (parity) couldn't drop. After 1980, the parity index was deregulated and the price of milk stayed straight for awhile and then dropped. I'm sure traders at the exchange saw the advantage of letting prices drop. You're going to have to do away with manipulation that's been going on at the NCE," he said.

- Christopher Dodge, Midwest Equipment Dealers Association, made it clear that the price of milk "affects more than just farmers. When the price is down, they stop buying combines and tractors and other equipment. This bill has overwhelming support from equipment dealers."

Bill Brey, Wisconsin

Farmers Union president and a Door County farmer, called "the cheese exchange the best golden egg that's ever been out there." Like farmers, consumers are also getting ripped off, he added.

- Dave Daniels, a dairy farmer from Kenosha and chairman of the Wisconsin Farm Bureau (WFB) Dairy Advisory Committee, spoke for information only. Reiterating Wisconsin Farm Bureau Policy that says "milk should not be priced by the sale of cheese at the NCE in Green Bay," Daniels also said WFB members believe the USDA should not use the exchange as a price discovering mechanism for determining dairy farmer milk prices, and he believes federal order reform is also needed.

"Farm Bureau would support legislation that prohibits price manipulation and is willing to work with you in drafting appropriate legislation that will accomplish this goal. It is the position of the WFB that regulatory oversight of the NCE should be done at the federal level," Daniels said.

- Will Hughes, Wisconsin Federation of Cooperatives, said the intent of SB 2 was good, but said the proposed legislation "is likely to bring harm to Wisconsin's dairy industry because it would be implemented at a time when no other cash market exists."

"The likely result of this bill is that trade would be so broadly restricted - on an already-thin market - that the NCE could likely no longer function. This would leave the industry with no viable alternative to serve as a reference price on which to base contracted or negotiated sales. It could very well throw the marketplace into chaos and hurt Wisconsin dairy farmers," Hughes said.

"We understand the need to avoid the potential for manipulation of this market at the expense of farmers. We certainly aren't saying the industry should sit back and ride this one out. However, what we are saying is, 'if we've got something that isn't working, we had better be willing to put some effort into coming up with an alternative before we just do away with it, or we'll end up with some unanticipated consequences,'" Hughes warned.

Hughes said the USDA has

already indicated it won't use the National Cheese Exchange as a component of any milk price formula unless there is public confidence in the market. There are already strong efforts to bring the exchange, or any cash market alternative, under federal oversight. "The dairy industry is committed to improving the exchange or finding an alternative to it," he added.

- Brad Legried, executive director of the Wisconsin Dairy Products Association, said, "Wisconsin should not attempt to regulate a pricing mechanism that is national in scope. When the New England states created the Northeast Dairy Compact, Wisconsin fought hard to defeat it because it would allow individual states to change national pricing mechanisms. However, we're trying to do the same thing here. This bill would basically eliminate a pricing mechanism that would affect the entire country."

At the end of the hearing, an executive session found the committee voting unanimously to send the measure to the Senate. At *Agri-View's* deadline on Tuesday, the Senate was expected to take up SB 2 for floor debate.

Joining in as sponsors of the measure are Senators Brian Rude (R-Coon Valley), Russ Decker (D-Schofield), Kevin Stabiski (D-Anthon), Kimberly Plache (D-Racine), Rodney Moen (D-Whitehall), Brian Burke (D-Milwaukee), Dale Schultz (R-Richland Center), Joe Wineke (D-Verona), Robert Jansch (D-Poplar), Fred Risser (D-Madison), Calvin Potter (D-Kohler), Richard Grobshmidt (D-South Milwaukee), and Chuck Chada (D-Madison).

Assembly cosponsors include Reps. Tom Springer (D-Mosinee), Sheryl Albers (R-Logansville), Mary Hubler (D-Rice Lake), Terry Musser (D-Black River Falls), Marty Rey (D-Ladysmith), Rick Skindrud (R-Mount Horeb), Robert Dueholm (D-Luce), Jim Baumgard (D-Sheboygan), Clifford Otte (R-Sheboygan Falls), Joe Plouff (D-Menomonee), Peter Bock (D-Milwaukee), Donald Hasenohrl (D-Pittsville), Tom Ourada (R-Antigo), Frank Boyle (D-Superior), Spencer Black (D-Madison), William Vander Loop (D-Kaukauna), Rebecca Young (D-Madison), Tammy Baldwin (D-Madison) and Barbara Linton (D-Highbridge).



Ray Mueller photo

FOX VALLEY AREA FARMERS listen to a recent presentation by the American Raw Milk Producers Pricing Association at St. Mary's Church in Kaukauna.

Dairy farmers on their own

■ **Area farmers hear plea from members of a new milk marketing group**

By **Ray Mueller**
Post-Crescent correspondent

KAUKAUNA — Mary Lippert criticized everything from dairy cooperatives to public officials and international trade agreements to a state program as she made an impassioned plea to over 40 area dairy farmers to join the American Raw Milk Producers Pricing Association Inc. as the agency to price their raw milk.

Lippert, an ARMPPA director from Waunakee, suggested farmers have become "indentured servants."

"The milk takers have no allegiance to you," Lippert said. "Their allegiance is to those they sell the product to." She noted dairy farmers receive \$13 per hundred for fluid milk that sells for up to \$36 in supermarkets.

"Dairy cooperatives handle 80% of the milk but they will not work together," Lippert said. "They want to put the other ones out of business. In the process, they will put farmers out of business. And the large corporations pit us against every farmer in the world. They sit in the middle and charge us both ways."

"You have been told to 'be more efficient' by the universities," Lippert said. "But I see your knees, backs and hands. Take a look at your hands. We should all make Xerox copies of our hands and put them into a book as a sign of how we're being put into slavery."

"If you think the state government is not responsible, as Gov. Tommy Thompson says, then the federal government wants to put you out of business. It has been doing so for 30 years."

"Thompson wants to do everything for everybody else in the state but not for dairy farmers," Lippert said. "He takes money from Kraft Foods, Oscar Mayer and Miller Brewing. Boycott these people. Don't buy their stuff."

"Your strength is in your product, but not individually," Lippert said. "You must be like a herd of cows that comes together for defense when attacked by flies."

"The co-ops and the state and federal government just shuffle us aside," Lippert said. "We as farmers have to do this ourselves; \$20 per hundred for milk would be like going to heaven."

"Your strength is in your product, but not individually. You must be like a herd of cows that comes together for defense when attacked by flies."

MARY LIPPERT



But Lippert fears the numbers are heading the opposite way. She referred to projections that under the new provisions of the General Agreement on Tariffs and Trade "you will have to produce milk for \$7.41 per hundred to survive."

"What are dairy farmers worth?" asked dairy farmer Ron Kliebenstein of Darlington, one of seven interim directors of ARMPPA. "At a meeting in Bloomington, some dairy farmers said they would sell milk for \$14.50. I said they need to look at the expertise they have, the weather, disease and breakdowns. We're worth more than \$14.50."

"Farmers have developed a mindset that they cannot price their own farm products after being told that by others for many years," Kliebenstein said. "It's been bred into us but we have to change that mindset. We have to believe we can do it."

Kliebenstein is confident, however; that two inherent traits of farmers will serve to make them do something about milk pricing today. "In extreme adversity farm communities come together," he said. "Is this economic crisis any different? It is the economic death of family farms."

Citing a prediction from Wisconsin's Dairy 2020 Council that state dairy farm numbers may fall to 8,000 by 2005 (from nearly 25,000 today), Kliebenstein suggested the 1996 dairy farmer recruiting trip to California led by Wisconsin Secretary of Agriculture

Alan Tracy means "Wisconsin must need more milk. But they went to California because Cargill ConAgra, ADM and Philip Morris will be making money off this. They're striving to own the dairy industry lock, stock and barre from start to finish. They need these California people to maintain their processing industry."

"The dairy farmers from California most interested in coming to Wisconsin are in the dairy preserves of the Chino Valley east of San Diego and Los Angeles," Lippert said. "They have 40- to 80 acre cow lots and average herds of 900 cows. They survive on volume if they can clear \$1 per hundred with 900 cows. But now they can sell their land for up to \$150,000 per acre. So they could be worth \$19 to \$20 million. They have to invest or be taxed."

Kliebenstein added "they'll buy land for \$1,000 to \$2,000 per acre near large cities here and repeat the process."

"We want to sign up 20% of Wisconsin's dairy farmers before we announce a price," Kliebenstein said. "We have talked to about 1,000 dairy farmers at our first 14 meetings. They realize we have a problem. But 50% to 75% of these (and those attending up to 15 more meetings by mid-February) must sign on. You must sell it."

"We have about one-third of our needed support now," added ARMPPA director John Kinsman.

Glickman wants new milk pricing formula

2/5/97

■ **State lawmakers unveil measures that would take the Cheese Exchange out of the equation**

By Bob Vitale

Post-Crescent Washington Bureau

WASHINGTON — After meeting for more than an hour Tuesday with Wisconsin dairy farmers, lawmakers and state officials, Agriculture Secretary Dan Glickman said he's committed to changing a federal milk-pricing formula "that does not seem to be very fair."

Glickman, whose agency already has begun taking public comments on potential changes in the way it sets the prices dairy farmers nationwide receive for their milk, said he agrees with Wisconsin concerns that Green Bay's National Cheese Exchange exerts too much influence in the formula.

"We've indicated our desire to move away from that method," he said of the current formula, which relies heavily on an exchange many charge is manipulated by big cheese producers whose aim is keeping prices low.

"The goal is finding a different method of (setting) the price of milk in this country."

Although Glickman hasn't always been viewed as a friend to Wisconsin dairy farmers — he approved a price-setting alliance last year that lets six New England states separate themselves from the national system — his pronouncement

CHEESE: Glickman wants to change the pricing system

From A-1

ment Tuesday was greeted warmly. "I think he came as close as he could to saying he's going to pull the Cheese Exchange out of the milk-pricing formula," said Wilfred Turba, a dairy farmer from Sheboygan County.

"I think we better get ready for the next way that's going to price milk," said Dan Poulson, president

of the Wisconsin Farm Bureau.

About a dozen state farmers, members of a task force organized by Gov. Tommy Thompson, joined the governor and most of the state's congressional delegation at Tuesday's meeting with Glickman.

The farmers will meet today with officials from the Federal Trade Commission and Commodity Futures Trading Commission, which they and lawmakers would like to see given regulatory powers over the Green Bay exchange.

The National Cheese Exchange, a tiny operation that handles less than 1% of cheese transactions in the U.S. market, nonetheless has a major influence over milk prices nationwide.

After years of complaints by Wisconsin farmers that major traders were purposely pushing down exchange cheese prices, and milk prices with them, a federal study in

1996 confirmed that it was open to manipulation.

Before their meeting with Glickman on Tuesday, Wisconsin lawmakers introduced two bills designed to achieve legislatively the actions they also seek from the agriculture secretary.

One would give the Commodity Futures Trading Commission power to regulate the exchange and force changes in its operation. The other would remove exchange cheese prices from the government formula used to set the prices for farmers' milk.

Sen. Herb Kohl said the actions show federal officials just how serious farmers and officials are in forcing changes for a state that has lost thousands of family dairy operations over the last 15 years. Although the congressional bills were introduced by the state's Democratic lawmakers — Kohl, Sen. Russ

Feingold, and Reps. David Obey, Jay Johnson, Ron Kind and Tom Barrett — the meeting with Glickman included Republican Reps. Tom Petri and Mark Neumann as well.

"There is a determination on a bipartisan basis to get something done," Kohl said.

"The purpose of the meeting was to grab Secretary Glickman and say 'Hey, we need something done,'" said Petri, of Fond du Lac. "And I think we got his attention."

A farmer at the meeting said change would be much easier — and would come much faster — if Glickman forces it on his own.

"He has the power; he can do what he wants," said Gerald Jaeger, who owns a dairy farm in Fond du Lac County's Town of Ashford. "That's where our hope lies: in his personal commitment to dairy farmers across this country."

Senate approves cheese exchange bill

MADISON — The state Senate passed a bill Thursday to give the state some regulatory authority over the National Cheese Exchange, the national cash trading market for bulk cheese in Green Bay. The bill was developed to aid dairy farmers after milk and cheese prices began falling last year.

Senator Alan J. Lasee (R-De Pere), a cosponsor of the bill, said state oversight is critical because the National Cheese Exchange is not currently regulated at the state or federal level. Lasee said that the State Legislature needs to send a strong message to the federal government that farmers have its support.

"The National Cheese Exchange is incredibly powerful," Lasee said. "Although the Exchange deals with only a tiny fraction of the national cheese output, it is used to price virtually all of the wholesale cheese sales in the country. Even the USDA uses exchange prices when figuring price supports."

"As a result, the Cheese Exchange

is an unregulated market that also directly affects the price that dairy farmers receive for their milk," Lasee continued. "It is so small that it can be easily influenced by traders."

The bill is designed to halt "trading against interest" at the National Cheese Exchange - selling for less than what could have been received on the open market. The bill would prevent exchange members from buying and selling cheese for the purpose of lowering milk prices. It also allows the state Department of Agriculture to develop rules to enforce insider trading in the Cheese Exchange.

Lasee pointed out, however, that action needs to come from the federal level.

"The state can try to put a halt on insider trading practices," Lasee said. "But the final decision to cease using the National Cheese Exchange price in determining the basic formula for milk rests with the federal government."

The bill moves to the Assembly for further action.

2/13/97 By N. N. N. N.

Senate hits cheese exchange

USDA urged to reject Green Bay prices

BY FRANK A. AUKOFER
of the Journal Sentinel staff

Washington — Green Bay's tiny National Cheese Exchange continues to get national attention.

At the behest of Sen. Arlen Specter (R-Pa.), the U.S. Senate passed a resolution Thursday expressing its opinion that the exchange should not be allowed to set milk prices.

Specter acted after dairy farmers in his state complained that the federal government was permitting low prices to be paid for milk.

The "sense of the Senate" resolution, which does not carry the force of law, passed overwhelmingly. Both Wisconsin senators, Democrats Herb Kohl and Russ Feingold, were co-sponsors of the measure and voted for it.

The resolution calls on the secretary of agriculture to immediately address a decline in milk prices by replacing the National Cheese Exchange as a factor in setting the prices that farmers get for their milk. It says a new cash market should be created

under the supervision of the U.S. Commodity Futures Trading Commission.

Although only about 2% of the cheese bought and sold nationwide is traded on the Green Bay exchange, the U.S. Agriculture Department currently uses its weekly closing price for cheese as a major component in determining the minimum price farmers around the country receive for their bulk milk.

Gov. Tommy Thompson and members of the Wisconsin congressional delegation have been lobbying Agriculture Secretary Dan Glickman and the Commodity Futures Trading Commission to broaden the criteria for setting milk prices.

The commission is scheduled to issue a decision Feb. 27 on whether to permit the trading of basic formula price milk contracts on New York's Coffee, Sugar and Cocoa Exchange. That

would lessen the influence of the National Cheese Exchange.

"I'm pleased that the Senate expressed in the clearest and most bipartisan voice its support for de-linking the cheese exchange from farmers' milk prices," Kohl said in a statement. "Ultimately, however, what we need to do is find an alternative price discovery mechanism that is more reflective of market conditions and less subject to manipulation."

In a related action, Feingold and Kohl, along with Sen. Rod Grams (R-Minn.), introduced legislation to repeal the Northeast Dairy Compact, which allows six New England states to fix prices for that region's dairy producers.

The senators said that the compact, which was a last-minute addition to the 1996 Farm Bill, depresses already low milk prices for dairy farmers in other regions of the country.

ACROSS THE LINE FENCE!

Editorials, Opinions & Letters To The Editor

WFU president wants NCE removed from

RAY MUELLER

SCHOOL HILL

Getting the prices paid for cheese on the National Cheese Exchange out of the Basic Formula Price for milk will "provide a natural rise in milk prices from competition," Wisconsin Farmers Union president and 80-cow herd dairy farmer Bill Brey of Sturgeon Bay believes. He spoke at a Manitowoc County information meeting on milk pricing.

"If we would not have one buyer running the NCE, it would free up our dairy cooperatives," Brey suggested. "We have to get rid of that buyer's influence. It buys Cheddar cheese blocks from co-ops. If they would bid above the NCE price, it would not buy them. Intimidation of the co-ops is possible. The NCE has seven players - 3 of them are buddies."

Although he was careful not to name "that buyer" in his remarks, Brey noted the company handles about \$15 billion of the \$50 billion cheese market and that it takes the 11 largest processing cooperatives to manufacture and supply that amount of cheese. He suggested the arrangement answers the question of "why don't the co-ops help you? The co-ops make Cheddar block cheese but have very little value-added products in their total percentage of sales."

"If the co-ops paid \$14 per hundred for milk, would other buyers pay less? Why don't they have the guts to do it?" a dairy farmer asked. "They don't have to and they're making profits too," Brey replied.

Brey, whose family has a history of dairy cooperative membership, believes the co-ops have succumbed to intra-industry pressures to keep milk prices paid to farmers down rather than reinventing themselves for a new marketplace. "The specialty niche markets for cheese should be something co-ops are doing," Brey said. He suggested Cheddar cheesemakers would soon be left out of the market if they try to sell at above prevailing market prices.

Pointing to the milk price trends of the past year, Brey believes virtually everything in milk pricing hinges on what

happens at the NCE. "It's that clear and simple," he emphasized. "The industry is trying to lead you down a path of fallacies instead."

Brey cited dairy industry explanations of product imports, increases in domestic dairy product supply, rising product prices, and slumps in market demand as false reasons for the \$4.03 per hundred drop in the Basic Formula Price from October to December. "All of them together wouldn't have dropped the price for milk by \$2.10 in one day," Brey remarked. "The December BFP was \$1.57 below the BFP for December of 1995."

Milk supply fell by one percent in 1996. Mid-America Dairyman Co-op is short of fluid milk for its Southern markets, and cow numbers are down by 80,000 in Wisconsin and 59,000 in Minnesota since 1995, Brey pointed out. "It all points to one place - the NCE."

"The Farmers Union philosophically agrees with the 'freedom to farm' idea but it asks the marketers on the NCE for fair play too," Brey continued. "We didn't agree to free milk. A free market means free milk."

Brey urges dairy farmers not to be distracted by industry and government talk on reforming federal milk marketing orders, the complexities of milk pricing, the failure of the dairy industry to speak with one voice, the Northeast Dairy Compact, inefficiencies in the milk production and processing system, and the role of New Zealand in the world dairy market. He suggests those supposed concerns will ultimately "mean nothing" for milk pricing because the pricing is really controlled by the NCE and its dominant player.

Brey also rejects the dairy economists' analyses that early 1996 cropping and weather conditions were responsible for the gradual rise of the BFP to a record of \$15.37 in September of 1996. "The milk price had already taken off by March and April - well before we knew anything about the crops and weather," he stressed. (The BFP had already risen by \$1.01 over the previous year in November of 1995

and then stayed at between 80 cents and \$3.39 above the previous year until the October price plunge.)

The real reason for the rise in the BFP was the public scrutiny placed on the NCE by the creation of Wisconsin's Task Force on cheese pricing in the wake of the release of the report on earlier NCE trading practices that was prepared by UW-Madison economist Bruce Maron and Fritz Mueller, Brey suggested. One day after the Task Force rejected a provision that "trading against interest" be prohibited on the NCE, the per pound price for cheddar blocks of cheese dropped by 21 1/2 cents on the NCE, Brey noted. "They have no scruples. They just want our milk. Farmers are the only ones not making anything on the deal."

For the 20 weeks before the October 18 price plunge, the NCE had an average trading time of 35 minutes for its Friday morning sessions, Brey stated. That rose to one hour and three minutes on October 18 and a later session ran for 48 minutes before the average has dropped back to 34 minutes in recent weeks, he added. "The pattern was to drop the price with more time," he charged. "If they would have traded for less time, we would not have had a crash."

Referring to Senate Bill 2 in the Wisconsin Legislature to prohibit "trading against interest" and the recent pressures Wisconsin legislators have put on USDA Secretary Dan Glickman to take NCE prices out of the BFP, Brey said "we have the next 45 days. You have to ride your assemblyman hard." The state Senate passed SB2 28 to 5 but the assembly wants to handle it as a resolution. "We cannot let it be a resolution."

The NCE is threatening to leave Green Bay if SB2 passes, Brey continued. "If not guilty, why leave? If you have nothing to hide, why hide it? Let 'em leave. The federal law will get 'em if they run roughshod over dairy farmers."

"Over the next 30 days, we need complete pressure on the Wisconsin Assembly to introduce SB2 for a hearing," Brey emphasized. "We have a good story. It is



BILL BREY

the truth. We have to get the bill to a vote." He recalled that SB2 passed the Senate although 23 major dairy cooperative and milk processor organizations, both state and national, opposed SB2 at the Senate hearing while the Farmers Union, National Farmers Organization, Midwest Equipment Dealers Association, and the Wisconsin Snowmobilers Association were among the few supporting the bill. "The insensitivity of this situation was that our farmers spoke for themselves while the 23 had their legal counsels speak for them," Brey commented.

Special pressure ought to be put on Assembly Agriculture Committee Chairman Al Ott (R-Forest Junction) to bring SB2 to a vote, Brey remarked. "He's got to do it. If not, how could he face the farmers in his Calumet County district?"

(SB2 has been referred to the assembly's finance committee after various estimates of \$2,700, \$43,500, and \$411,400 were given for the state's costs in enforcing a "trading against interest" rule on the NCE, which would require traders to prove that they don't change their primary role as seller or buyer on and off the NCE and that they don't buy

pricing picture

or sell for differing prices on and off the NCE.) Brey believes Governor Tommy Thompson will be forced to sign SB2 if it receives overwhelming support in the assembly.

Brey is also urging dairy farmers to write to the USDA asking that milk pricing be separated from NCE prices and for federal oversight of the trading practices on the NCE. "The forces of the 23 that were against us on SB2 have their big tanks out and they're moving," he warned. Brey commended Governor Thompson for getting the national government's conference to support a resolution to divorce NCE and BFP prices and Wisconsin's U.S. Senators Herb Kohl and Russ Feingold for introducing bills calling for new oversight of the NCE and for delinking the NCE and BFP.

(NCE president Richard Gould says the cash market cheese exchange never asked to be used in the basic formula pricing for milk, doesn't welcome that role today, and would welcome oversight by the Commodity Futures Trading Commission or other federal agency. The NCE prices for Cheddar cheese were put into the pricing formula of the federal milk marketing order system - approved by dairy cooperatives and their members and administered by the USDA.)

Brey told the area farmers he was spurred into action about the milk pricing practices after his wife challenged him in the wake of the 21 1/2 cent drop in Cheddar cheese prices on October 18, telling him "you're not much of a president if you don't do something about this." Brey then became outspoken on the topic, took part in the news conference on November 1, and began to organize fellow WFU members and others in Door County for a rally at the NCE in the Bellin Building in Green Bay for the trading session on November 8.

After having trouble in trying to reach Gould earlier, Brey said Gould was on the phone "a half minute later" after Brey talked to someone from the Bellin Building management about holding the November 8 rally.

Brey said he then worked out an agreement with the Brown County district attorney before a bust-out of 5 farmers from Door County and about 5 other persons joined the November demonstration. "Our only theme was getting fair prices," Brey said.

"I felt the NCE was gouging our milk checks for 17 years at an acceleration rate," Brey said. "This became the number one story in the Green Bay area. A farmer took a 30 percent milk price drop. The larger farmers from the Valley area got involved and they had the tractorcade later. I'm still getting 10 1/2 calls a day from all over and from farmers with 18-cow Jersey herds and with 500 cows."

Brey advises Wisconsin dairy farmer to be wary of out-of-state large volume "cherry picker" fluid milk buyers who pay \$1.25 per hundred volume premium. "They're hustling you now but they won't pay more in the long term. Michigan already has only three places to sell milk and you pay all the trucking," he warned.

Farmers Union is a policy promoting and service organization with 4,000 Wisconsin dairy beef and grain farmer members and 300,000 members across the nation, Brey said. "Farmers Union is someone who talks to you, not about you."

Meeting organizer Randy Bondo of Newton noted "it's said you'll never see all the farmers to agree on anything. I think they'll all agree the price of milk is too low."

Cheese exchange bill moves forward, author blames governor for delay

Madison

The author of a bill prohibiting trading against interest on the National Cheese Exchange said the Wisconsin Legislature could have acted on the rule a year ago at a considerable cost savings, but Gov. Tommy Thompson prevented it.

Sen. Alice Clausing, D-Menomonie, introduced Senate Bill 2 calling for regulation of trading practices and prohibiting price manipulation on the NCE.

The bill moved another step forward when it passed the Senate with a 28-5 vote on Jan. 30. It must pass the Assembly before advancing to the governor.

Sen. Clausing said a year ago, when a University of Wisconsin-Madison study came out saying price manipulation was possible on the NCE, the Department of Agriculture, Trade and Consumer Protection proposed an administrative rule draft containing the same language as SB 2. She said the governor stopped the rule from passing

and formed the Governor's Task Force on Cheese Pricing.

"So a year ago we could have acted on this, but the governor came in and blocked it," she said. "The governor was an obstructionist. He's been passive on this for a whole year."

The last time the bill was introduced, the fiscal estimated cost was \$2,700. The original fiscal estimate of SB 2 was \$411,000, Sen. Clausing said. She said "it was an inflated estimate. The intention goes back to the governor and the ag secretary (Alan Tracy) to torpedo the bill."

The original estimate meant the bill would have to go through the Joint Finance Committee since the fiscal estimate was more than \$100,000. Sen. Clausing requested a new estimate that came through at \$43,500, allowing the Senate to vote on the bill last week.

"The bill did pass and I believe it will send a sound wave across the nation on milk pricing," Sen. Clausing said.

Many critics say the issue of fair milk pricing should be a federal issue. "Absolutely not," Sen. Clausing responds. "We (the state) have the authority for enforcement. ... There is authority at the state level" under the fair trading statute.

She identified two issues necessary for fair milk pricing in Wisconsin: campaign finance reform and changing the state's agricultural secretary from a governor-appointed position.

"Money is power," she said. "We must start reforming so the DATCP is not influenced by those who contribute to the governor's campaign."

Sen. Clausing said she is committed to driving NCE reform and fair milk pricing and insists on traveling to Washington, D.C., this week when Gov. Thompson and a delegation of Wisconsin farmers meet with U.S. Agriculture Secretary Dan Glickman.

Although she said the governor invited the Assembly Agriculture Committee chair, but did not invite her, the Senate Agriculture

Committee chair.

"It doesn't matter if I'm invited or not," she said. "I'll be there. ... I don't wait for an invitation to the dance. I feel it's absolutely necessary for the Legislature to be there. ... This meeting is really a cheese summit."

"Three out of five farms go out of business every day," she said, and noted if this happened at the GM plant in Janesville, the governor would be right there. "But where has the governor been?"

Sen. Clausing has no faith in the Governor's Task Force on Cheese Pricing, set up following the study's release. "They had a year and it turns out to be a partisan trip to Washington," she said, referring to the fact that task force members are meeting with Mr. Glickman this week.

Commenting on the bill's chances to move out of the Assembly she said, "How can you vote against motherhood and farmers?"

—Janelle Thomas



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THE POST-CRESCENT

WISCONSIN

APR

PAGE B-2
 Thursday, February 6
 1997

IN THE STATE

FROM POST-CRESCENT SERVICES

MILWAUKEE

Firefighters discover dismembered body

A dismembered body was found by firefighters responding to a report of rubbish fire in a westside alley, police said.

"It was charred and burned," Deputy Inspector Ramon Galaviz said of the body that was discovered Wednesday shortly after 9 p.m.

The gender of the victim was not disclosed and police declined to

■ A report says a federal commission will decide Feb. 27 whether to allow milk contracts on the Coffee, Sugar and Cocoa Exchange

MILWAUKEE (AP) — Market shifts affecting dairy farms could be less severe if the government allows a New York exchange to deal in basic formula-price milk contracts, a Wisconsin agricultural official says.

A state delegation, meeting Wednesday in the nation's capital with federal officials, learned the Commodity Futures Trading Commission will make a decision on the proposal Feb. 27, the Milwaukee Journal Sentinel reported in today's editions.

G.B. exchange may face competition

The CFTC may allow the trading by the Coffee, Sugar and Cocoa Exchange. That would provide a bigger market for setting milk prices, reducing the influence of the National Cheese Exchange in Green Bay.

Dairy farmers would benefit, said Bill Oernichen, an administrator of the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Contract trading could cushion farmers against abrupt fluctuations in market prices, he said.

"It would be the best way to determine the milk price based on what is actually happening in the marketplace," Oernichen said.

Dairy farmers, worried about a decline since September in the price paid for their milk by dairies

and cheesemakers, argue the Green Bay exchange has too great an impact on the price formulas of the U.S. Department of Agriculture.

The CFTC "is sympathetic to your situation and your quest to find a true price discovery method," commissioner John E. Tull Jr. told the Wisconsin delegation.

The group included Gov. Tommy Thompson and state Agriculture Secretary Alan Tracy.

Tull declined to speculate whether the five-member commission would approve trading in contracts.

The commission might refuse if it determines the Green Bay exchange is unduly susceptible to price manipulation, he said.

Price increase won't stop reforms

MADISON (AP) — After suffering through a steep drop in milk prices last fall, farmers are seeing a slight price rise while pushing the government to change what they consider an unfair price-setting system.

News Wednesday that the price paid to farmers rose 60 cents, from \$11.34 per hundred pounds in December to \$11.94 in January, came a day after Wisconsin politicians told Agriculture Secretary Dan Glickman at a meeting in Washington that they want the milk-pricing system changed.

It was the first price increase since milk hit a record high of more than \$15 per hundred pounds in September, and then began to decline to December's low.

The outlook for improving prices is unlikely to halt efforts to dump reliance on the exchange, but it may slow it, University of Wisconsin economist Ed Jesse said.

But Sen. Herb Kohl, D-Wis., said he would continue to press action by Glickman on the exchange.

Senate votes to alter milk ^{P/C} pricing policy ^{2/14/9}

WASHINGTON (AP) — In a bid to prop up slumping dairy prices, the Senate urged the Agriculture Department on Thursday to stop using a cheese market in Wisconsin in calculating the base price of milk.

USDA announced in January that it was considering doing that. Farmers allege that cheese manufacturers have manipulated the National Cheese Exchange in Green Bay to drive down prices.

The department sets a monthly floor price for dairy products based on sales of unregulated milk in Minnesota and Wisconsin, including those at the cheese exchange.

In a resolution that passed 83-15 Thursday, the Senate said "there is a strong sense of financial crisis in the dairy industry." The resolution said the cheese exchange should be dropped immediately from the USDA price formula.

The exchange accounts for 1% of the cheese sold in the United States but influences the price of 95% of the country's commercial bulk sales, according to the resolution.

Meanwhile, Sens. Herbert Kohl and Russell Feingold, both D-Wis., and Rod Grams, R-Minn. introduced legislation to block the six New England states from fixing dairy prices in their region.

Acting on the 1996 farm law, Agriculture Secretary Dan Glickman decided last year to allow the states to form a price-setting compact. His action has been challenged in court by the Milk Industry Foundation, and a federal judge has given the department until March 20 to justify the decision.

"We hope that the courts will strike down this price fixing scheme," Feingold said. "However, we still have a responsibility to try to repeal it, and that is why we are introducing this bill."

NCE president says regulation might force cheese exchange out of state

Green Bay

Attempts at state regulation of the National Cheese Exchange likely will merely drive it out of Wisconsin, predicts Richard Gould, president of the exchange since 1960.

In a telephone interview with The Country Today, Mr. Gould said he and cheese exchange board members are "getting very sick" of the increasingly strident criticism of the exchange by politicians, farm groups and the news media.

He blames the news media for giving politicians and farm leaders a forum for blaming the exchange for what they perceive as undue influence over raw milk prices.

Mr. Gould also said cheese exchange members never wanted it to be a "price discovery" tool and that they actually would welcome further regulation — but by the Commodity Futures Trading Commission or another federal entity.

"You should be very careful about what you print," he said, citing several instances of misleading news stories about the NCE.

"I just got a call about a (network television) report that said Kraft traded 75 percent of the cheese on the NCE and that's a total falsehood," he said. "And the Milwaukee Journal-Sentinel quotes Sen. (Russell) Feingold, saying 'the cheese exchange has had a stranglehold on milk prices and that hold needs to be broken.' It's a lie.

"I can tell you this, we're getting very sick of the whole thing. And one of the problems is the total irresponsibility of the press in printing just one side of the story — for instance, printing this state-

ment of (Sen.) Feingold's. The press seems to have a desire to print just accusations of people, and then when they're totally exonerated, very seldom do you see anything except in fine print on the back page. And the politicians are just steaming this thing up."

Mr. Gould said the cheese exchange's directors strongly resisted having NCE price activity factored into calculating the basic formula price for raw milk, which nevertheless was approved by federal administrators about 2 years ago.

The cheese exchange's directors "never wanted to have anything to do with the basic formula price," Mr. Gould stressed. "We were the ones who suggested being 'decoupled' — it was our idea, it wasn't (Gov. Tommy) Thompson's or (Sen. Herb) Kohl's or (Sen.) Feingold's, because we get tired of getting blamed for the farmers' prices going down.

"The real reason the farmers' milk prices have gone down has been explained time and time again by very responsible agricultural economists. They'd tell you that it was bound to happen, and it simply went down because of market conditions. The cheese exchange didn't have anything to do with it."

Those who are blaming the National Cheese Exchange for lowering their milk price are



Richard Gould

merely choosing a convenient target, he maintains.

"What they're trying to do is kill the messenger," he said. "But the farmers don't care. All they want is attention. They decided to pick on the cheese exchange because we're very visible and available, and the press picks up on it real fast, so that's why they're doing it.

"But they're not really complaining about the cheese exchange, they're complaining about the dairy program. They want a guaranteed cost of production, plus a profit for their milk, that's what their goal is. You tell me what entrepreneur — and that's all farmers are — has a guaranteed cost of production, plus a profit. I can't think of any."

Staunchly defending the National Cheese Exchange against claims that prices are manipulated by major players such as Kraft or dairy cooperatives, Mr. Gould said he welcomes further scrutiny, but only by qualified authorities.

"I think the USDA is very good at what they do," he said, citing the agency's Dairy Market News for providing information that should prove or disprove whether the exchange accurately reflects the milk market.

"And they have a representative at every single (NCE) trading session," he said. "If anyone would be able to determine if a transaction on the cheese exchange was an attempt at manipulation of the market, they would.

"We would just as soon have the Commodity Futures Trading Commission regulate us. We would love to have an umbrella over us to protect us, but they're

not going to do the job that USDA is doing — they (USDA) know what's going on in the dairy markets, and if something is wrong in the markets."

Mr. Gould said the cheese exchange simply reflects what's going on in the market, but does not and should not dictate the raw milk price.

"Our role is not price discovery," he said. "We don't ask anybody to pay any attention to our prices. But there's nothing wrong with our members trading among themselves on an auction basis in a private corporation."

And he is especially critical of proposed state regulation of the National Cheese Exchange, predicting that the exchange will move out of the state rather than be subject to some of the provisions of Sen. Alice Clausing's state regulation bill.

"The state of Wisconsin trying to tell our members what they can sell their cheese for or what they can buy cheese for, in transactions among themselves, and making it a criminal offense if they sell cheese at the exchange for a price lower than they can sell it off the exchange, or buy it at a price that is higher than they can buy it off the exchange? They're nuts!" Mr. Gould exclaimed. "Where do they get off trying to control that?"

"But the exchange isn't going to challenge the legality of the act, we're just going to get out of the state. We don't like to move, but when they force us out. ... I don't know how they think they're going to improve anything by forcing us out. No other state has such a law."

Kevin Hagan

Cheese Exchange Bill Backers Urged to Go to Capitol

To the Editor:

As a working dairy farmer I have been disheartened by the partisan nature of the debate on Senate Bill 2, the Fair Milk Price Act, and other farm policy matters facing the Legislature.

No, I am not talking about fighting between Democrats and Republicans. I am speaking of politicians aligned with the dairy farmers of Wisconsin and these who are carrying the water for dairy processors like Kraft and agribusiness in general.

The events of the last few months have led me to conclude that although all politicians say they are pro farm, some are stabbing us in the back.

This January, Senator Alice Clausing (D-Memmonite) introduced SB 2, a tough law that would closely monitor the NCE and prevent price manipulation. Even though the bill is molded after the ag department's own proposal, secretary Tracy testi-

fied against the bill. In an attempt to prevent its passage, the department even claimed it would cost over \$411,000 to administer the law. A re-analysis by the nonpartisan legislative fiscal bureau set the cost at \$43,500!

I want to thank my own senator, Brian Rude (R-Coon Valley) for co-sponsoring the bill and eloquently speaking on its behalf. It passed with an overwhelming majority of support from both parties.

Now on to the Assembly for expected passage, right? Think again. The bill has been hijacked by the leadership in the Republican party, Governor Thompson and Alan Tracy lost their attempt to derail the bill in the Democratically controlled Senate, but they have control of the Assembly and know how to use it.

After the bill moved to the Assembly, Speaker Ben Brance (Republican) referred SB 2 to the joint finance committee, headed by fellow Republican and past Thompson aide

Scott Jensen (R-Waukesha) (the two most powerful members of the Legislature), Jensen has publicly stated that he will not hold a hearing on the bill at this time.

Meanwhile, a companion bill introduced by Thomas Springger (D-Mosinee) is being held by Assembly agriculture chairman Alvin Ott (R-Forest Junction).

Without a hearing by joint finance or the ag committee, our hope to put an end to the hanky-panky on the NCE is dead! These four Republican leaders are siding with the agribusiness lobbyists that are robbing hard-working dairy families and shutting them down.

Please join me in the state capitol on Feb. 26 at 9:30 a.m.

We have a message to send to Mr. Thompson, Brancel, Jensen and Ott. Don't mess with the farmers of this state! We are the

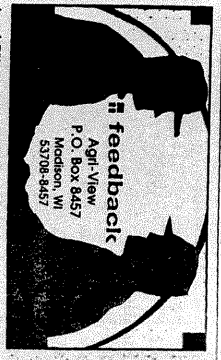
largest industry in Wisconsin and support thousands of jobs off the farm. When it comes time for re-election, we are going to organize like never before.

We have the majority of members of the Legislature in both parties supporting us. We can't afford high-priced lobbyists and large campaign contributions. But we do vote, and our friends, families, and supporters vote. This is still America's Dairyland. Don't sell us out!

Darin VonRuden
Rt. 1, Westby, WI

08-24-95

Agri-View 2/20/97



Agri-View welcomes letters to the editor on topics of interest to farmers. All letters must be signed and contain name, address and telephone number of the sender. Anonymous letters will not be published. Editors reserve the right to edit, condense or delete all or portions of letters. Limit letters to 400 words. Address letters to Feedback, Agri-View, P.O. Box 8457, Madison, WI 53708-8457.

National Cheese Exchange a hot topic at WFU convention

EAU CLAIRE

Members of the Wisconsin Farmers Union met in Eau Claire on Saturday (Feb. 15) for their 66th annual state convention, when they took positions on issues affecting agriculture and rural Wisconsin.

Senator Alice Clausung (D-Menomonie) and Representative Al Ot (R-Forest Junction) spoke to a crowd of about 250 delegates. Both presentations emphasized Senate Bill-2, which prohibits trading against interest on the National Cheese Exchange. The bill passed the Senate with a vote of 28-5 and is now in the hands of the Assembly. Clausung, who is also Majority Caucus secretary and chair of the Agriculture and Environmental Resources Committee, said, "Follow the money," regarding the debate over the National Cheese Exchange. She said large financial contributions have been made to the Governor and opponents of SB-2 by Philip Morris, which owns Kraft Foods, a major trader on the NCE.

Clausung continued, "Wisconsin does have the authority to regulate the NCE. Why doesn't the Governor take action to support this bill?"

Clausung confirmed what the WFU has been saying publicly, that the votes for passage are in the Assembly. However, the bill was sent to the Joint Committee on Finance to "bury" the bill while the state budget bill is debated.

During Ot's presentation, WFU President Bill Brey, of Sturgeon Bay, led off the questions by asking why SB-2 was not referred to the Assembly Agriculture Committee. Brey stated, "Wisconsin has a responsibility to take the leadership on this issue and stand up for its dairy farmers."

Brey also presented Ot with a packet of petitions from delegates demanding



SENATOR ALICE CLAUSUNG

that SB-2 be sent to the Agriculture Committee for a public hearing. Ot responded by referring to the dispute over estimates about how much the bill will cost to implement and enforce.

Ot's comment brought an immediate reaction from St. Croix County dairy farmer Dennis Rosen, who said, "We have to talk about price for milk. Wisconsin has to care about its own dairy farmers." He reminded Ot that farmers are forced daily to go out of business because they are not getting their fair share of the state's economic pie.

WFU delegates were not satisfied by comments that there is nothing Wisconsin can do because milk pricing is a federal issue. The WFU position is that action must be taken on both the state and federal levels to change the cheese exchange and reform the milk pricing system.

Vernon County dairy farmer Darin Von Rudin asked, "Why isn't state government standing up for the producers against the processors? The technicians

exists to obtain the information that SB-2 demands from traders on the National Cheese Exchange."

Ot stood by his position that Wisconsin is not the proper place for the debate over the cheese exchange and milk prices. He left little hope that SB-2 will be sent to his committee anytime soon. Brey made a commitment that "the fight for SB-2, changing the cheese exchange and reforming the milk pricing system will continue and will be successful."

The convention also featured a panel of representatives from six major agricultural organizations: the participants were Russ Weisensel of the Wisconsin Agriculture Council; Bill Wenzel of the Wisconsin Rural Development Center (WRDC), Ron Statz of the National Farmers Organization (NFO), John Manske of the Wisconsin Federation of Cooperatives (WFC), Roger Cliff of the Wisconsin Farm Bureau Federation (WFBF), and David Nispel of the Wisconsin Farmers Union (WFIU).

It was not surprising that all six organizations found a great deal in common. As so often stated, there are fewer and fewer farmers in Wisconsin. It is imperative that all of the organizations and their members work together.

Russ Weisensel and Roger Cliff stressed the property tax and use-value law. All of the organizations signed the Friend of the Court Brief to support the use-value law.

Senate Bill-2, prohibiting trading against interest on the National Cheese Exchange, brought about disagreement. The WFU, NFO and WRDC all have signed on and testified in support of the



BILL BREY

bill. The other three groups disagree, but do agree that federal action is required.

Some of the other major issues the groups are working on are: nonpoint-source pollution, pesticides administrative rules, environmental issues such as whole-farm planning, and campaign finance reform. One of the major issues to confront the 1997-1998 legislative session is hand-use planning.

WFU members adopted over 30 resolutions ranging from health care to the National Cheese Exchange to campaign finance reform.

Among the most significant resolutions adopted were:

1. Cheese/Milk Pricing - The WFU proposes that the USDA should provide

oversight of the National Cheese Exchange. The President should issue an executive order directing the Commodity Futures Trading Commission to assume oversight responsibilities for trading activities on the National Cheese Exchange. The President should issue an executive order which includes a federal rule prohibiting trading against interest on the National Cheese Exchange. The Basic Formula Price must be changed to ensure that dairy producers receive the true value for their product by incorporating the producer's cost of production in the formula. The USDA should immediately investigate other factors to be included in any Basic Formula Price used for determining milk prices. The Wisconsin Legislature should pass legislation prohibiting trading against interest on the National Cheese Exchange. Finally, the U.S. Congress should pass legislation to require reporting of cheese prices.

2. Land Use Planning - WFU endorses the recommendations of the state Interagency Land Use Council contained in its July 1996 report, and strongly supports legislation that gives town governments equal power in land-use planning and annexations.

3. Volume Premium Pricing - Wisconsin has an existing permanent administrative rule prohibiting the payment of unjustified and illegal volume premiums for milk. The WFU historically has opposed the payment of unjustified and illegal volume premiums by dairies and affirms the resolution adopted at its 1996 annual convention opposing such volume premiums.

4. Electric Utility Deregulation - WFU encourages the Wisconsin Legislature and the Wisconsin Public Service Commission to conduct statewide public hearings on the current electric utility deregulation plan, the Coalition's proposal, and the general subject of electric utility deregulation.

Re-elected were Brey as president and Janet Nelson as vice president. Newly elected board members were Sue Bellich of Stoddard and Craig Myhre of Osseo; Dirk Maulder of Holmen was re-elected to a third term. Carryover directors are Brey (of Sturgeon Bay), Nelson (of Prairie Farm), Dennis Rosen of Emerald, Rolf Anderson of Cadott, Richard Keller of Mount Horeb, and Gerald Jaeger of Campbellsport.

Twenty-three youths were presented with the Torchbearer Award. Listed with their county of residence, they are: Coaren Schuchel - Barron; Gina Duncanson - Buffalo; Chad Seichter and Nathan Danielson - Chippewa; Brian Amern, Michelle Gross, Sara Miller, Jason Return and Laura Benson - Dane; Barbara Jacobi - Marathon; Sara Brunner, Alan Lamphier, Mary Radle, Melissa Richardson and Jason Hayden - Pepin; Casey Halm, Mary Henke, David Rosen and Lisa Voeltz - St. Croix; and Mandy Clarkson, Rina Dobserslein, Kristen Kalmon and Jeremy Parnstcher - Taylor.

Wisconsin Farmers Union is a non-profit general farm and rural organization. It represents family farmers and rural residents, addressing problems such as federal and state farm legislation, medical care, cooperative business development, and public education.

Fair Milk Price Act must pass Assembly

A commentary by Darin VonRuden, President of the Upper Midwest Milk Producers Association, member of the Cheese Exchange Task Force and dairy farmer.

As a working dairy farmer, I have been disheartened by the partisan nature of the debate on Senate Bill 2, The Fair Milk Price Act, and other farm policy matters facing the legislature.

No, I am not talking about fighting between Democrats and Republicans, I am speaking of politicians aligned with the dairy farmers of Wisconsin and those who are carrying the water for dairy processors like Kraft and agribusinesses in general.

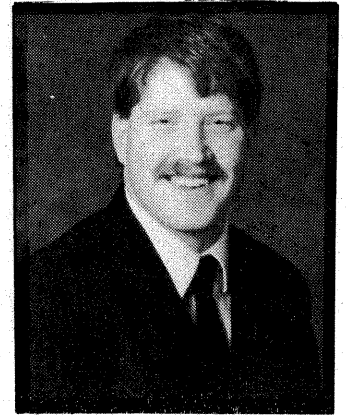
The events of the past few months have led me to conclude that, although all politicians say they are pro-farm, some are stabbing us in the back.

1. Last spring a University of Wisconsin report came out and confirmed the long-held suspicion of dairy farmers, that we were being ripped off by Kraft and their friends at the National Cheese Exchange (NCE). In response, Wisconsin Secretary of Agriculture, Alan Tracy, called for strict oversight of the NCE. That was until Governor Tommy Thompson ordered the proposal tabled and convened a task force to "study" the cheese scandal.

2. The task force was a diversionary tactic at best. With overwhelmingly more votes on the body from Kraft, the NCE and other dairy processing interests, farmers called the task force, "a scam" and "the fox watching the chicken coop". In reaction, a few more farmers were added (still in the minority). This body then voted against the interest of farmers (surprise) and against any state regulation of the National Cheese Exchange.

3. This January, Senator Alice Clausing (D-Menomonie) introduced SB-2, a tough law that would closely monitor the NCE and prevent price manipulation. Even though the bill is molded after the Ag department's own proposal, Secretary Tracy testified against the bill. In an attempt to prevent its passage, the department even claimed it would cost over \$411,000 to administer the law. A reanalysis by the nonpartisan Legislative Fiscal Bureau set the cost at \$43,500!

4. I want to thank my own Senator, past Senate President, Brian Rude (R-Coon Valley), for cosponsoring the bill and eloquently speaking on its behalf. It passed with an overwhelming majority of support from both parties.



Darin VonRuden

Now on to the Assembly for expected passage, right? Think again. The bill has been hijacked by the leadership in the Republican party. Governor Thompson and Alan Tracy lost their attempt to derail the bill in the Democratically controlled Senate, but they have control of the Assembly and know how to use it

After the bill passed the Senate and moved to the Assembly, Speaker Ben Brancel (R-Endeavor) referred SB-2 to the Joint Finance Committee headed by fellow Republican and past Thompson aid Scott Jensen (R-Waukesha) (the two most powerful members of the legislature). Jensen has publicly stated that he will not hold a hearing on the bill at this time.

Meanwhile a companion bill introduced by Thomas Springer (D-Mosinee) is being held by Assembly Agriculture Chairman, Alvin Ott (R-Forest Junction).

Without a hearing by Joint Finance or the Ag Committee our hope to put an end to the hanky-panky on the NCE is dead! These four Republican leaders are siding with the agribusiness lobbyists that are robbing hardworking dairy families and shutting them down.

Please join me in the state Capitol on February 26 at 9:30 a.m.

We have a message to send to Mr. Thompson, Brancel, Jensen and Ott...Don't mess with the farmers of this state! We are the largest industry in Wisconsin and support thousands of jobs off the farm. When it comes time for re-election, we are going to organize like never before.

We have the majority of members of the Legislature in both parties supporting us. We can't afford high-priced lobbyists and large campaign contributions. But we do vote, and our friends, families and supporters vote. This is still America's Dairyland. Don't sell us out!

2/21/97

WI State Farmer

Agri-View 3/6/97

'Dairyland' Reputation Takes Another Blow, Exchange Chief Asserts

The announcement that an association of cheesemakers wants to replace the National Cheese Exchange represents another blow to Wisconsin's reputation as America's Dairyland, the president of the exchange said Friday.

The National Cheese Institute said it was seeking bids for a cash market in Chicago or New York to replace Green Bay's weekly National Cheese Exchange. The Chicago Mercantile Exchange and New York's Coffee, Sugar & Cocoa Exchange are preparing bids at the institute's request and hope to be operating in May.

The Commodity Futures Trading Commission announced last week its acceptance of a plan by the Coffee Sugar and Cocoa Exchange to deal in milk futures contracts. Many farmers argue that the National Cheese Exchange has a disproportionate amount of influence in setting the monthly Basic Formula Price (BFP) that farmers are paid for their milk by dairies and cheesemakers. The USDA sets the BFP using the cheese exchange price as a factor. Because cheese absorbs surplus fluid milk, economists consider it an accurate barometer of the base price for milk.

The National Cheese Institute membership includes the nation's large cheesemakers and processors. It also counts smaller cheese businesses as members. The institute is part of the International Dairy Foods Association.

Richard Gould, president of the National Cheese Exchange, said efforts by the cheesemakers to find new cash markets are linked to a bill before the Wisconsin Legislature to regulate the exchange.

Gould 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."

The bill has been approved by the state Senate.

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

"00672... Gould declared.

But loss of the exchange, which has operated more than 45 years, would be a blow to Green Bay's prestige and Wisconsin's reputation as America's Dairyland, said Gould, a Green Bay attorney and president of the exchange since 1960.

The exchange meets briefly once a week and deals in less than 2 percent of the nation's cheese trade.

Criticism of the exchange escalated into pickets and demonstrations demanding some action by politicians in recent months as raw-milk prices fell from more than \$16 per hundred pounds last September to just over \$11 in January.

A University of Wisconsin study accused Kraft Foods Corp., a major cheese buyer on the exchange, of artificially depressing prices 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 bill in the Legislature would prohibit, among other things, simultaneous cheese buying and selling off and on the exchange, and require reports to government that members consider proprietary and onerous.

"Not only does moving the cash market get us out of a hostile environment, it provides us with some very needed tools to help manage our business through price volatility," said Michael Mudd, Northfield, Illinois, vice-president of corporate affairs for Kraft USA, referring to the futures market.

Establishing a new market is not going to change price volatility. Nor is it necessarily going to lead to higher prices, he said.

"Supply and demand have always determined prices. The key difference is that there has not been an effective tool to deal with volatility," he said.

Gould said the exchange welcomed federal regulation by the Commodity Futures Trading Commission 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.

Democrats, farmers challenge GOP leadership in Assembly

They want to know why cheese exchange bill is being held up in finance committee

JAN SHEPEL ^{WSF} 2/28/97

MADISON

A group of farmers confronted Republican leaders of the state's Assembly this week as they emerged from a party caucus meeting at the State Capitol.

The farmers, many of whom have been at other capital protest rallies since milk prices dropped drastically in the fall, wanted to ask the legislators why they have held up a bill that would regulate the National Cheese Exchange.

The measure passed with overwhelming bipartisan support in the Senate in January. The Senate, which is controlled by Democrats, voted 28-5 on Senate Bill 2 which would prohibit trading against interest on the Exchange which meets briefly one day each week in Green Bay.

The Exchange has been under fire most recently since a study funded by the state and the University of Wisconsin-Madison concluded that large buyers and sellers of cheese can manipulate the marketplace and thus the price of milk. Since the measure was introduced in the Assembly, which is controlled by Republicans, it has not seen any action. It was referred to the Joint Finance committee and backers of the bill feel GOP legislators will let the measure languish there so they won't need to vote on it.

Earlier this month, Governor Tommy Thompson was asked if he would sign or veto the measure if it arrived on his desk. "I'm not trying to be partisan," Thompson said. "But the bill will not do anything because if it passes the Cheese Exchange will move out of the state."

After some backers of the bill held their Wednesday press conference, about a dozen farmers staged a protest and confronted the legislators they feel are responsible for holding up the measure. One of those was former dairy farmer, now Assembly Speaker Ben Brancel (R-Endeavor).

In a statement released after the protest rally Brancel said that if dairy farmers could be helped by state regulation of the Exchange "we would take immediate action."

"But the bottom line is that the federal government - not state government - has responsibility for setting milk prices," he said.

Another of the legislators who talked with the group of protesting farmers was Rep. Al Ott (R-Forest Junction), chair of the Assembly Agriculture Committee. He said one of the Assembly's first ac-

tions was to ask Agriculture Secretary Dan Glickman for quick action and to request that federal regulators take a careful look at Cheese Exchange trading practices.

"It's unfortunate that dairy farmers are being given false hopes about an immediate solution to the milk-price problem," Ott said. "Unfortunately, imposing

See **CHEESE**, page 5

'Assembly encouraged to pass cheese exchange bill

CHEESE, cont. from page 1

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."



SENATOR ALICE CLAUSUNG

Rep. Scott Jensen, (R-Waukesha) co-chair of the Joint Finance Committee called the Cheese Exchange bill a "cruel hoax" which "won't help a single dairy farmer in Wisconsin." He cited the measure's lack of support by the Wisconsin Farm Bureau Federation, Wisconsin Federation of Cooperatives and National Milk Producers Federation as justification for his committee's lack of action on

David Nispel, who is the legislative specialist for Wisconsin Farmers Union, said that no one believes the Cheese Exchange bill can solve all pricing problems for dairy farmers. "No one is saying let's pass this and we can go home," he said. "It's not nirvana. But it's symbolic and it is one component of a solution."

Rep. Tom Springer, (D-Mosinee) the Assembly co-sponsor of the "Fair Milk Price" bill, said it is "the least the state can do." During a press conference he said it is his opinion that large campaign contributors are influencing GOP legislators to kill the bill. "I'm tired of corporate Wisconsin controlling the state," he said.

The bill's author, Sen. Alice Clausung (D-Menomonie) called her bill the "hammer to propel the issue forward." The chair of the senate's agriculture committee got her bill passed in the senate just before visiting Washington with farmers and the governor's entourage to talk with federal authorities about regulation and milk pricing.

She said the measure's passage in the senate caused a shock-wave across the nation. Clausung defended the bill saying that "no company is at risk from the legislation if they are trading fairly" and that it is the responsibility of the state to do something for farmers.

The Wisconsin Diocese of La Crosse and the Wisconsin Rural Development Center, as well as Wisconsin Independent Business (WIB) and Wisconsin Citizen Action, a consumer group, gave their

ference.

Wayne Corey, director of WIB said that it is not just a farm issue, but is "very much a small business issue" because what farmers are paid influences so many other businesses.

"To me SB2 says 'you can't cheat our farmers,'" Corey said.

Mark Kastel, an independent farm consultant, noted critics of the bill have said it will just drive the Cheese Exchange from the state. "Let them go," said Kas-

tel. "What's the downside if they pull up stakes and move. Let them take their 1 1/2 full-time employees. The state can afford to lose those jobs. It can't afford to lose the 1,400 to 1,500 family farmers that are going belly up."

Bill Wenzel of the Wisconsin Rural Development Center said it is the duty of the legislature to intervene on behalf of farmers. "Farmers are only demanding fair treatment from the corporations they are forced to deal with," he said.

Milk prices have begun to rebound in recent weeks

By Dan Wilson
Post-Crescent staff writer

Despite criticism that the National Cheese Exchange is being manipulated to keep milk prices low, the prices of dairy products have shown surprising strength in recent weeks and signs point to a possible rebound.

Dairy farmers had protested against the exchange, saying it was easily manipulated by major players, such as Kraft General Foods. Exchange cheese prices are used to form the base price farmers are paid for their milk.

After reaching record high prices in 1996, prices crashed in a

series of trading sessions beginning on Oct. 19, dubbed "Black Friday." But prices on the exchange, so volatile last fall, have been remarkably stable the past two months.

The recovery is due to the same set of forces which sent dairy prices to record highs in 1996 and, according to dairy economist Robert Cropp, those forces — lower milk production — will remain a factor in 1997.

Prices on the National Cheese Exchange Friday held steady with blocks at \$1.325 a pound and barrels at \$1.28 a pound.

At the same time, at the Chicago Mercantile Exchange, butter prices, which have increased dramatically

■ Wisconsin's dip in production leads to more competitive premiums

in recent weeks, also remained unchanged at \$1.15 for Grade AA.

At one point in December, butter prices fell to price support levels. But Grade AA prices increased 20 cents in the first two weeks in February. Grade AA butter is 43 cents higher than it was a year ago.

The Basic Formula Price (BFP) increased 60 cents per hundred-weight in January to \$11.94. With the increases in cheese and butter prices thus far in February, the BFP should increase to about

\$12.50 for February, and near levels of a year ago. The BFP for last February was \$12.59. The BFP will continue to strengthen as spring approaches and should be more than \$13.00 by early summer.

Cheese prices appeared to have stabilized after reaching a low of \$1.14 a pound in December.

According to Cropp, 1997 could experience the second- or third-highest milk prices on record.

"This continual decline in milk production and resulting excess manufacturing milk plant capacity results in relatively high competitive premiums being paid to dairy farmers in Wisconsin and the higher mailbox prices as compared to

most other dairy regions," said Cropp in his most recent report.

Mailbox price, a term Cropp has coined, is the "real" price farmers receive after all assessments and charges have been subtracted and processor premiums and inducements have been added in.

Wisconsin had 4.5% fewer cows in production in January, continuing a trend which has seen the dairy industry shrink in recent years.

Wisconsin was not alone in declining production.

In a state-by-state analysis of the dairy situation Cropp noted the weather around the country has been the major factor.

P/C ~~2/23/97~~ 2/23/97

Apology tendered

To the Editor:

My apologies to Rep. Alvin Ott. Last week in a letter to the editor I mistakenly accused him of conspiring with other Republican leaders to hold SB 2 (the Fair Milk Pricing Bill) hostage. That is not the case. SB 2 would have the state monitor the hanky-panky on the National Cheese Exchange.

Although Rep. Ott and I may disagree on the virtues of this bill, he is not controlling its future on his committee. That dirty deed has been successfully choreographed by Assembly Speaker Ben Brancel (R-Endeavor) and Joint Finance Committee Co-chairman Scott Jensen (R-Wauwatosa). These two men know very well that their party's big cheese, Gov. Tommy Thompson, doesn't want the NCE regulated.

Why, when the majority of members of the Legislature from both parties support this bill, would the governor and his lieutenants be standing in the way of protecting family farmers from rip-offs by large cheese traders? Maybe the approximately \$100,000 these "gentlemen" and their party coffers have received from Philip Morris (Kraft Cheese) and others who are fighting against the interests of us farmers is affecting their judgment.

Once again my apologies to Rep. Ott. This bill deserves a public hearing in your committee so all opinions can be expressed. You have assured me that when or if that happens, a fair dialogue will take place, and I believe you.

I ask Rep. Ott, members of his party and anyone interested in the well-being of farmers to contact Rep. Brancel, Jensen and Gov. Thompson. Tell them to quit interfering with the will of the people! There is no telling what will happen when farmers feel betrayed.

DARIN VON RUDEN

Country Today 3-5-97

CROSS PLAINS DAIRY FARMER Horliah Stalz argues will state Rep. Al Ott, R-Forest Junction, chairman of the Assembly Agriculture Committee, during a protest by farmers at the state

capital wilderness. The group of farmers proposed that they say is the inaction of the Assembly on a bill which would regulate the National Cheese Exchange in Green Bay.

P/c 4/28/97

Cheese exchange's influence fading out

■ The exchange could leave the scene entirely

GREEN BAY (AP) — The government's approval of milk futures trading in New York will reduce the influence of the National Cheese Exchange over the prices paid to dairy farmers, Wisconsin congressmen say.

The Commodity Futures Trading Commission announced Thursday its acceptance of a plan by the Coffee Sugar and Cocoa Exchange in New York to deal in milk futures contracts.

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 Wednesday 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."

Rather than a cash market, the New York exchange would deal in market futures with trading based on the U.S. Department of Agriculture's basic formula prices.

The CFTC's intervention can increase government surveillance of the Green Bay exchange. Sen. Russell D. Feingold said in a statement with Sen. Herbert H. Kohl.

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

Many farmers argue the National Cheese Exchange has a disproportionate amount of influence over the USDA prices.

The exchange meets briefly once a week and deals in less than 2% 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 hundred pounds last September to just over \$11 in January.

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

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, Thompson told farmers who lobbied the state capital last year for help with prices.

The Legislature is now consider-

ing a measure to regulate traders. 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.

"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," said Assembly Speaker Ben Branchel, R-Endeavor.

Feingold said the CFTC approval of the New York trading will increase the commission's "authority to oversee the National Cheese Exchange, which is currently unregulated by state or federal government."

"Farmers and consumers alike deserve to know that someone is willing to assert ... authority to prevent manipulation in cheese markets," Kohl said.

Hearing on the Federal
milk orders + BFP set.

March 15 at 11:00

Eau Claire

715-568-5657

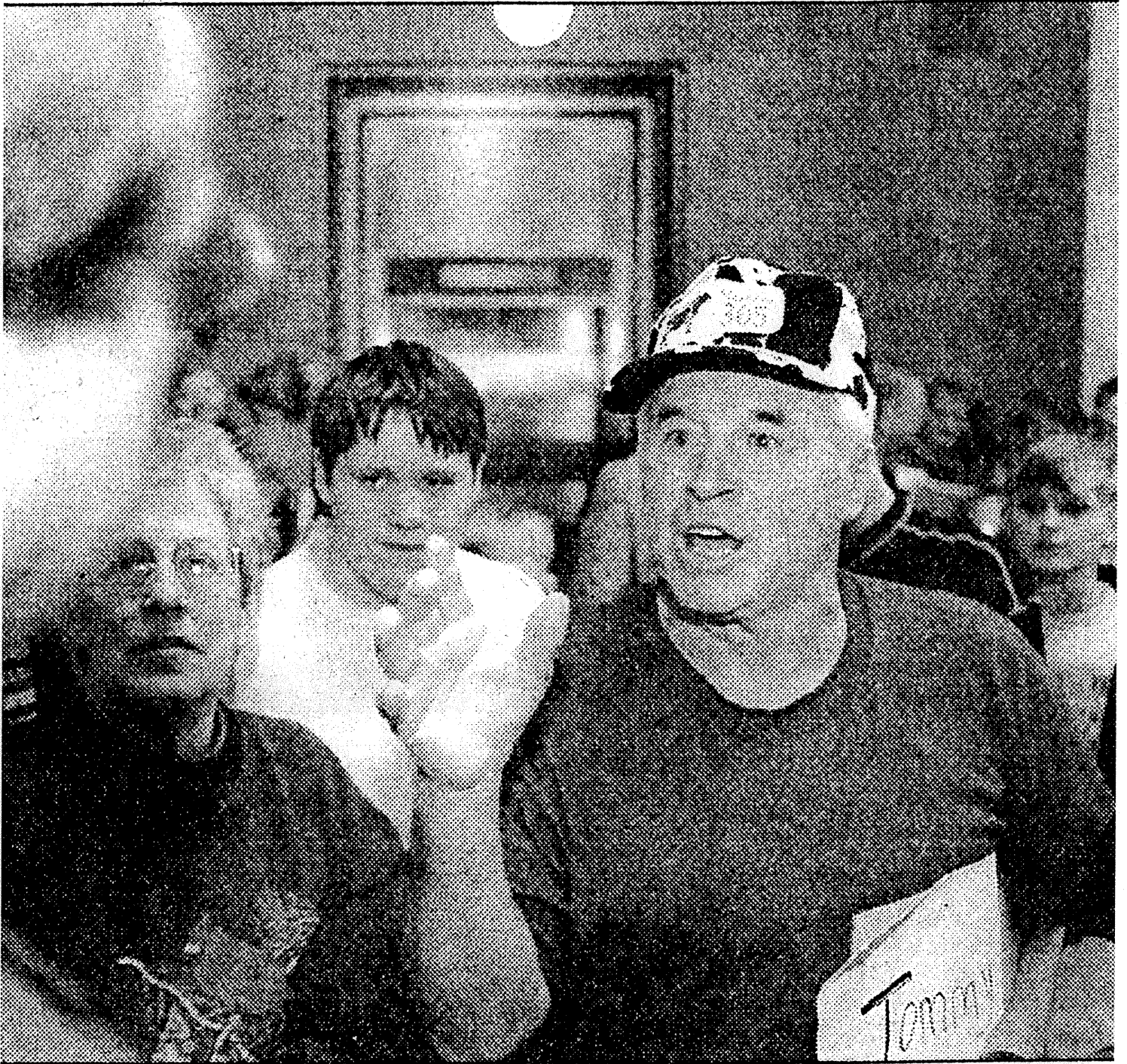
- Wayne Sonnentag; working
w/ Jim Hansdorf (stressed
Bi-Partisan)
- Want this testimony sent
to Glickman before March
31st comment deadline
- asking Koh (verbally committed)
Fetigold, other congressmen +
State Reps. (Sylkora + Zien have info)
- Schaefer + Kriebisch challenged
them to get this put together

3/4/97

Called let him know

Al couldn't come,
but was supportive

Farmers protest dairy bill



ANDY MANIS/Associated Press

Dairy farmer Roman Statz, of Cross Plains, argues with state Rep. Al Ott (R-Forest Junction) during a protest by dairy farmers in Madison on Wednesday. The farmers were protesting the inaction of the Assembly on a bill that would regulate the National Cheese Exchange. Farmers say the exchange is partly to blame for low milk prices. About a dozen farmers, at least three of them chained together, protested outside the Assembly Republicans' morning caucus.

Dairy farmers chain themselves

APR 27

To urge Cheese Exchange regulation

By Mike Flaherty

Legislative reporter

Eight dairy farm family members chained themselves together outside the Wisconsin Assembly Wednesday to protest the refusal of Republican leaders to regulate the National Cheese Exchange in Green Bay.

"It's an unregulated market. It needs some sort of oversight and regulation," said Bob Breneman, who milks 100 cows with his wife, Karen, near Rio.

Farm leaders said Assembly Republicans need prodding or they won't take action on a bill (SB-1) that would regulate the National Cheese Exchange in Green Bay.

The group, led by Senate Agriculture Committee chairwoman Len. Alice Clausing, D-Denomonie, and Mark Kastel, a

lobbyist and failed candidate for the Assembly, also accused three Republican leaders (including Gov. Tommy Thompson) of "selling out" Wisconsin's dairy farmers for \$100,000 in contributions from large cheese companies.

Assembly Speaker Ben Brancel, one of those accused, responded that the charges are baseless and blasted Kastel.

"Mark Kastel, a hired lobbyist who will use any group he can to get in front of a camera," Brancel said. "I don't even know if I have contributions from cheese companies. Maybe Kastel would sell his votes for contributions. I don't work that way."

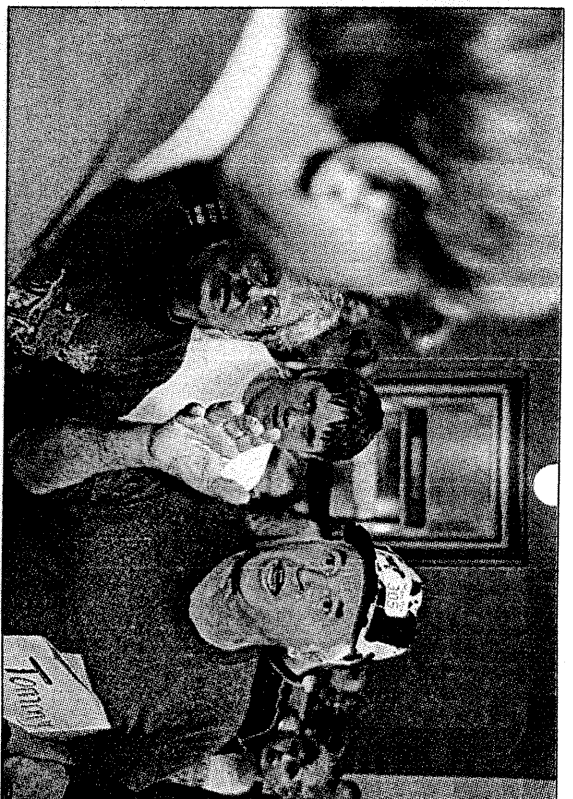
At issue is a proposal to regulate the National Cheese Exchange, a small cash market that companies use to buy and sell cheese surpluses. The exchange's

prices have become a major factor in milk prices — and some farmers argue that the prices it sets are unfair because a few large cheese companies can influence cheese prices on the small exchange.

SB-2, sponsored by Clausing and already approved in the Senate by a 3-to-1 margin, would prevent milk price manipulation by banning cheese buyers from selling cheese to depress prices — or cheese makers from buying cheese to improve prices.

Brancel argued, however, that the bill will only force the National Cheese Exchange to another state. Even if it stays and is regulated, it won't produce higher milk prices, he said.

Brancel also argued that the bill should be debated until the farm community agrees that it wants the Exchange regulated. But farm leaders note that there



Associated Press photo/ANDY MANNIS

Dairy farmer Roman Statz of Cross Plains argues Wednesday with state Rep. Al Ott, R-Forest Junction, during a protest by dairy farmers at the Capitol. The farmers were protesting Assembly inaction on a bill to regulate the National Cheese Exchange in Green Bay.

is, in fact, consensus. Most of the state's farm groups support SB-2, or have no position. The state's cheese industry opposes it.

"It's not the whole answer," agreed David Nispel, a lobbyist for the Wisconsin Farmers Union which supports the measure. "But it is part of it. We need a level playing field."

Milk pricing is 'udderly' unfair

By Sen. Alice Clausing

Is milk pricing a state or federal issue? The correct answer is "both." Wisconsin state statutes and ag department administrative rules can prohibit unfair trading practices conducted in Wisconsin. Congressional action is needed as a long-term solution, but decisive action at the state level will provide the hammer necessary to spur national change.

My Fair Milk Price Bill, Senate Bill 2, prohibits trading against interest on the National Cheese Exchange with the intent of manipulating cheese prices. SB 2 allows state regulation of the NCE and provides the state Department of Agriculture, Trade and Consumer Protection with the tools to ensure fair trade practices.

Milk prices are unfairly tied to the price of cheese on the NCE, which is located in Green Bay. The NCE has been widely criticized for providing a forum for price manipulation. Many farmers blame the NCE for the 25 percent drop in their income.

Clearly, the state needs to do what it can to help farmers. My Fair Milk Price Bill has experienced broad bipartisan support in the Senate. Unfortunately, the bill is now hung up in the Assembly, where the leadership cares more about protecting the governor's special interests than farmers.

When I traveled to Washington, D.C., for a Cheese Summit, federal officials expressed the need for cooperative efforts at the state and federal levels to resolve the milk pricing dilemma. The federal government is considering "delinking" the price of milk from the price of cheese on the NCE, but Congress moves slowly.

In spite of the governor's opposition to my attending the Cheese Summit, I felt compelled to attend to make sure that Secretary Glickman was aware of Wisconsin's authority to pursue this issue at the state level. Someone had to oversee the governor, the tour guide at the Cheese Summit, because he may have misrepresented Wisconsin's authority to take action.

Why has Gov. Thompson not been proactive at the state level to help farmers, like he was with the Brewers stadium? A year ago, Gov. Thompson blocked state Ag Secretary Alan Tracy's administrative rule to prohibit unfair trading practices on the NCE, precisely what my Fair Milk Price Bill



Sen. Alice Clausing, D-Menomonie, represents Wisconsin's 10th Senate District.

does. Mr. Tracy's action was in response to a March 1996 University of Wisconsin-Madison study, which revealed trading practices by large cheese corporations on the NCE directly affected milk pricing.

Gov. Thompson's response to the UW report of price manipulation on the NCE was to set up a cheese task force to study the report. The initial membership of the task force was heavily represented by cheese industry interests, clearly not in the best interest of farmers. Dairy farmers were added to the task force later, but many dairy farmers criticized the task force because it did not take decisive action.

How can the governor, who preaches bringing federal control back to the states, ask Congress to solve unfair trade practices in Wisconsin when we clearly have the authority to deal with this problem? Our state's "Little FTC Act" (ss. 100.20) gives the state the authority to ensure fair trading practices.

In fact, state Ag Secretary Alan Tracy proposed a rule to strengthen our fair trading standards by prohibiting "trading against interest on the NCE." He did his work and did it well until the governor came in with his quarterback sneak to try to circumvent the authority of the state. His cheese task force effectively took the ball out of Secretary Tracy's hands.

How much did the governor influence Secretary Tracy's actions? When Mr. Tracy pro-

posed his administrative rule to prohibit trading against interest, the program was estimated at a cost of \$2,700. A little less than a year later, the ag department attached a price tag of over \$411,000 to the bill. How can the cost to implement the same plan increase by 15,000 percent?

Only after the state Senate requested a supplemental fiscal estimate from the non-partisan Legislative Fiscal Bureau did the Fair Milk Price Bill proceed. In spite of the lack of leadership by the Department of Agriculture and the governor, the bill passed 28-5.

Is there a connection between Philip Morris buying out Kraft Cheese in 1988 and the volatility in the market? Is there a connection between the governor's lack of action and the fact that Philip Morris contributed \$51,000 to the governor's campaign? (Nov. 18, 1996, Milwaukee Journal Sentinel article.) You be the judge.

Congressman Obey commented that "the 1996 Farm Bill to get government out of dairy has eliminated its ability to moderate price swings." What is left is a deregulated market, where the income of farmers is dependent on the uncertainties of trading at the NCE and the business decisions of large corporations, like Kraft.

We can let this issue languish at the federal level or we can provide the federal government with a hammer like the Fair Milk Price Bill to force action. It is in the hands of the Assembly and the governor to bring about this change. Wisconsin's No. 1 industry — the \$3 billion dairy industry — is in jeopardy, and solutions for fair milk pricing must be found, now.

The Cheese Summit was successful in bringing together policy-makers and farmers to work cooperatively to change the dairy pricing system. Secretary Glickman is confident that the federal and state governments have the ability to proceed with actions to accomplish necessary changes to bring about fair milk prices for all farmers.

For real change to occur, we need leadership by action. Call Assembly Speaker Ben Brancel, Ag Committee Chair Al Ott and Joint Finance Committee members via the toll-free Legislative Hotline at (800) 362-9472 and tell them that you want immediate state action, not further political posturing and pandering.