

acknowledgment on the part of USDA that equity and fairness really do matter in national dairy policy.

USDA has explicitly expressed its preference for "1B." However, my optimism is guarded, given the fact that "the status quo option" is being seriously considered as a measure of reform.

It's all too likely that they may move us a step backward and call it reform. There is every reason to believe that USDA will succumb to the pressure of maintaining the unjustifiable status quo. So, in addition to the objective of shaping the policy debate beyond short-term fixes, I believe that we in the Upper Midwest must now proceed with progressive dairy reform in the event we once again, find ourselves standing alone in the name of justifiable, equitable, dairy policy.

The Dairy Reform Act of 1998 establishes a uniform Class I price differential of \$1.80 for each marketing area subject to an order. The newly proposed 11 Federal Milk Marketing Orders will remain in place to provide necessary over order premiums that would raise the \$1.80 in some areas. This legislation directs us toward market-oriented reform because it removes the arbitrary, artificial price structure and its resulting interference with the market.

As far as dairy policy is concerned, we're at a pivotal juncture. The groundwork is being laid for a national patchwork of regional compacts. Roughly half the country has either passed enabling compact legislation, is debating such legislation, or is involved in the Northeast Interstate Dairy Compact. We must either decide to support a national system, or regionalize. As I've said, USDA's Option "1B" is a small step in the right direction for dairy policy. The Dairy Reform Act brings us closer yet to substantive reform. The compact alternative, on the other hand, is not reform — it is retreat. It is anti-market and anti-consumer, by definition.

There is no substantive, equity-based justification to support random Class I differentials. In fact, USDA's current federal marketing order system was deemed "arbitrary and capricious" by a federal district court judge late last year. The case brought against USDA has been in the courts for seven years, and the judge's ruling was no less than the fourth such proceeding in the history of the case. Given the outrageously drawn-out history of the case, the judge decided not to grant USDA's

request to justify the pricing scheme. However, the ruling has been stayed pending the appeal decision of the 8th Circuit. After the courts have been clear on the marketing order system, why is USDA appealing — why don't they focus their efforts on changing the system as the courts require?

Under the current federal order marketing system, the Government is picking winners and losers. This system of non-uniform differentials is inherently unfair. I welcome debate of other dairy policy proposals for reform.

The Dairy Reform Act of 1998 is simply a call to fairness in dairy policy. It is a statement in no uncertain terms that we who represent Upper Midwest dairy farmers will fight for equitable reform and market-driven policy. I urge my colleagues to give it their support.

PRESS QUESTIONS
THE DAIRY REFORM ACT OF 1998
4/23/98

Q: How would the Dairy Fairness Act make the Federal Milk Marketing Order System more fair?

A: My bill would create a level playing field for dairy farmers. Currently, farmers receive a Class I milk differential based on their location -- the farther they are from Eau Claire, WI the more money they receive. While this served a purpose at one time, it is now simply a federal subsidy which discriminates against Upper-Midwest farmers and works against them in by distorting the market.

Q: What exactly does the Dairy Fairness Act do?

A: It establishes that the minimum Class I price differential will be the same for each marketing area subject to an order, and that it will be \$1.80/hundredweight. No longer will the Class I differentials vary according to arbitrary geographical scheming.

Also, USDA's newly proposed Federal Milk Marketing Orders will remain in place, to account for marketing purposes, transportation costs, and over-order premiums that producers may be able to demand.

Q: What about the current proposals from USDA -- Options "1A" and "1B"?

A: USDA is currently in the process of reforming its system of Federal Milk Marketing Orders. Unfortunately, the Class I differentials proposal released earlier this year was disappointing. Two options have been offered under the proposal. Option "1A" -- the status quo option -- is plainly unacceptable for Upper-Midwest farmers. Option "1B" does take a small step in the right direction, but it doesn't go far enough. However, a small step towards reform is better than a step backward -- and that's just what "1A" would be -- a step backward -- because it's the status quo, and what we need is REFORM.

Q: Aren't many Upper-Midwest farmers in support of "1B"? How would The Dairy Fairness Act impact the USDA proposal?

A: You're right, Option "1B" is the only option for any kind of reform that USDA has provided Upper-Midwest farmers. As short-term progress, I support Option "1B" because, as I've said, it's the only thing USDA is currently considering that makes a move toward fairness in federal dairy policy. My bill would continue the reform beyond the small gains for equity that "1B" establishes. We can't allow ourselves to become satisfied with anything less than real reform.

4/20/98

DAIRY REFORM ACT OF 1998

WHY WE NEED THIS LEGISLATION

* USDA's FMMO reform proposal is not due to be implemented until April, 1999. We are cautiously optimistic that the Secretary will endorse Option "1B" which takes a small step toward market-oriented dairy reform. However, we remain skeptical given the fact that Option "1A" is even being considered as a measure of "reform." By introducing the Dairy Reform Act of 1998, we are sending a clear message to USDA and to Congress that Upper-Midwest dairy farmers do not concede to being used in a patently unfair federal milk marketing order system. USDA needs to remember that they have a duty to provide justifiable dairy policy.

* The groundwork is being laid for a national patchwork of regional compacts. Roughly half the country has either passed enabling compact legislation, is debating such legislation, or is involved in the Northeast Interstate Dairy Compact. As far as dairy policy is concerned, we're at a pivotal juncture. We must either decide to support a national system or regionalize. USDA's Option "1B" does not go far enough, but it is a beginning for real reform. The compact alternative on the other hand, is not reform -- it is retreat. It is anti-market and anti-consumer, by definition.

* There is no substantive, equity-based justification to support non-uniform Class I differentials. Non-uniform differentials drive production incentive in high differential markets which has the effect of creating over-supply that ultimately spills into low differential markets, driving prices down in these areas.

WHAT THIS LEGISLATION DOES

* First, this legislation does NOT interfere with support for Option "1B" as an initial step toward reform. It is complementary by showing that "1B" is not enough in the way of reform -- "1B" cannot be thought of as a final goal. We haven't won much if "1B" is implemented. But we lose a lot if "1A" is. The Dairy Reform Act sets the stage for pursuing more reform by means of national pooling.

* The Dairy Reform Act establishes that the minimum Class I price differential will be the same for each marketing area subject to an order, and that it will be \$1.80/hundredweight. No longer will the Class I differentials vary according to arbitrary geographical scheming.

* The newly proposed 11 Federal Milk Marketing Orders (FMMOs) will remain in place, to account for marketing purposes, transportation costs, and over-order premiums that producers may be able to demand.

* The Dairy Reform Act will move us toward market-oriented reform because it removes the unfair, artificial price structure and its resulting interference with the market.

* The justification for endorsing a \$1.80 differential: the main justification is that it provides adequate incentive to reserve supply plants (cheese makers) to participate in the Federal Order system. In terms of the government's role in regulating dairy policy, it's important to ensure that supply plants supply fluid milk to bottlers during those short supply months (every summer) when Class I milk is in short supply. Basically, as long as the government is interfering with the market -- even with a flat differential, their role is to call forth adequate fluid supply for drinking consumption.

FEDERAL MILK MARKETING ORDER REFORM

8-3-98

-USDA is currently in the process of reforming the Federal Milk Marketing System. They have narrowed it down to two proposals, 1A or 1B.

-Option 1A is essentially the status quo and is not supported by the Upper Mid-West Dairy Coalition. Unfortunately, most other areas of the country do not want the system changed, so they support this option.

-Option 1B is not true reform, but it is a step in the right direction. This option would flatten out present price differentials.

-The USDA is supposed to make a recommendation for either 1A or 1B this fall, most likely after elections, and be voted on by the farmers early in 1999.

-However, the House of Representatives passed a provision in an appropriation bill that would delay any USDA recommendation for 6 additional months. The Senate did not include the provision. So, the issue of a possible delay will likely go to a conference committee when Congress goes back into session in September.

Reviews mixed on judge's ruling

By Jim Massey

Editor

EAU CLAIRE — Opinions continue to flow on a federal judge's ruling regarding the federal milk-pricing system, but there seems to be little consensus as to whether the decision will be good or bad for Midwest dairy farmers.

Wis. Gov. Tommy Thompson called the ruling a "watershed event in the history of federal milk marketing orders," while five members of Wisconsin's congressional delegation urged U.S. Agriculture Secretary Dan Glickman to "use this opportunity to eliminate the artificial competitive disadvantage our dairy farmers face under the current system and allow them to compete on a level playing field."

Meanwhile, most dairy cooperatives have proclaimed their opposition to the ruling. Bill Blakeslee, corporate vice president of Mid-America Dairyman Inc., said "all dairy farmers will be hurt by the loss of Class I differentials," including those in Minnesota and Wisconsin.

The National Milk Producers Federation, the trade group made up of the nation's dairy co-ops, voted Nov. 11 to ask Mr. Glickman to seek a stay of Judge

David Doy's ruling. Judge Doy's decision blocks the USDA from enforcing Class I price differentials, which vary depending on the area of the country in which the milk order is located. NMPF members said unless a stay is granted, producers already severely stressed from low milk prices "will receive even less in their November milk checks," which will be issued in December.

"We must let the USDA know that the elimination of Class I differentials would create chaos in the nation's milk marketing system," said Jerry Kozak, NMPF chief executive officer. "NMPF supports the reform of federal milk marketing orders, but such reforms must be orderly and methodical. To suddenly eliminate Class I differentials would create enormous disruptions in milk pricing and supply, and be detrimental to the interests of dairy producers, processors, retailers and consumers."

Mr. Kozak acknowledged that the current differential pricing system is not uniformly supported by all dairy producers, especially those in the Upper Midwest. However, he said the NMPF board believes that as an industry association, "we must

not let our differences on this issue define us, or prevent us from recognizing that no one benefits from the complete and sudden elimination of the current system."

Mr. Kozak said that if the ruling stands, it will reduce dairy producer income "by over \$1 billion annually."

The NMPF board approved a resolution to develop, within the next 6 months, "a consensus position among producers about equitable reform of the Class I differential system."

In a letter to Mr. Glickman, Gov. Thompson said the current Class I pricing system "discriminates against Wisconsin dairy producers and provides an artificial incentive for the creation and rapid growth of the dairy industry. The distance producers are from Eau Claire, Wis., should not matter in this day and age."

Gov. Thompson urged Mr. Glickman to accept Judge Doy's decisions and to not appeal the case.

"I also urge you to implement the policy position you have stated that no area of the nation should be advantaged or disadvantaged by the federal milk marketing order's pricing provisions," the governor said.

Secretary Dan Glickman to "stop stalling the implementation of a (court) ruling that is critical to our farmers."

"The USDA has dragged out this case for almost 8 years without providing any sound reason or justification for giving different farmers different prices," he said.

The decision Nov. 3 by U.S. District Judge David Doy of Minneapolis invalidated the nation's Depression-era milk distribution system.

The marketing orders were designed to promote dairy production in regions other than the upper Midwest, which leads the

"Furthermore, a reformed federal order system should more fairly reflect the national dairy marketplace and the new global market realities."

The governor told Mr. Glickman that the health of the Wisconsin dairy industry "depends on you taking bold action." He urged the agriculture secretary to "move federal dairy policy into the 21st century," and said reform of the "antiquated system is long overdue."

U.S. Reps. Jay Johnson, Ron Kind and Dave Obevy signed a letter along with U.S. Sens. Russ Feingold and Herb Kohl, all Wisconsin Democrats, urging Mr. Glickman "to finally end the clear discrimination against Upper Midwest milk producers."

"The court's ruling provides you with an opportunity to revise Class I prices to reflect current economic realities during the upcoming rule-making on federal milk marketing order reform."

for transportation costs when milk is shipped across country.

At the direction of Congress, Mr. Glickman is to propose a new dairy pricing system by the end of the year. Last week, he said that the clear will of Congress is to deregulate the system and that Doy's ruling makes the status quo more difficult to defend.

U.S. Rep. Ron Kind, D-Wis., said the decision to seek a stay of the ruling pending the appeal was a big disappointment for Wisconsin farmers.

"Instead, the secretary should have

USDA to appeal judge's milk-order ruling

WASHINGTON, D.C. — The Agriculture Department Monday said it would appeal a Minnesota judge's ruling that invalidated the nation's system of marketing milk.

Tom O'Brien, acting administrator of USDA's Agricultural Marketing Service, said the current system of pricing milk based on distance from Eau Claire, Wis., must stay in place while ongoing reform efforts proceed.

"Eliminating this regulatory mechanism overnight will create uncertainty and would cause severe disruption in the marketing of milk in the United States," Mr. O'Brien said.

In a system that dates back to the Great Depression, milk is sold under 32 marketing orders that link the milk's price to how far away from Eau Claire it is sold. Essentially, the greater the distance, the higher the price may be set.

U.S. District Judge David Doy of Minneapolis, acting on a suit by a group of upper Midwest dairy farmers, ruled that the system has "no rational connection" to modern national supply and demand in the milk industry.

The marketing orders were designed to promote dairy production in parts other than the upper Midwest. At the direction of Congress, Agriculture Secretary Dan Glickman will propose a new dairy pricing system by the end of the year.

Last week, he said that the clear will of Congress is to deregulate the system and that Judge Doy's ruling reinforced that.

"I would have to say that the judge's decision in this case ... is going to heighten the debate on dairy policy," Mr. Glickman said. "We're looking at all of our options now, both short-term and long-term reform of milk marketing orders."

Associated Press

Wisconsin officials disappointed with USDA's decision

MADISON — A government move to retain the nation's milk pricing system despite a judge's ruling against it drew heated complaints in Wisconsin, where farmers have protested for years that the system is outdated and unfair.

Politicians and a major farm group blasted the decision of the U.S. Department of Agriculture to appeal the judge's ruling and seek a stay to prevent the pricing system from being dismantled.

"We are disappointed that the USDA decided to appeal the federal judge's decision, but we're not surprised," said Dan Poulson, president of the Wisconsin Farm

He noted that the current system amounts to subsidizing milk production in other regions of the nation.

"We had hoped the federal judge's decision two weeks ago would have sent a strong signal to the USDA that it's time to make reforms to the federal milk pricing system," Mr. Poulson said.

Wisconsin Agriculture Secretary Ben Brancel said he believed the decision stemmed from "political pressure, particularly from the larger populated states."

U.S. Rep. Jay Johnson, D-Wis., a member of the House Agriculture

Secretary Dan Glickman to "stop stalling the implementation of a (court) ruling that is critical to our farmers."

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for transportation costs when milk is shipped across country.

At the direction of Congress, Mr. Glickman is to propose a new dairy pricing system by the end of the year. Last week, he said that the clear will of Congress is to deregulate the system and that Doy's ruling makes the status quo more difficult to defend.

U.S. Rep. Ron Kind, D-Wis., said the decision to seek a stay of the ruling pending the appeal was a big disappointment for Wisconsin farmers.

"Instead, the secretary should have

pushed the economists at the (USDA's) Agricultural Marketing Service to announce, as soon as possible, the proposed new federal order reform rule," Rep. Kind said.

"Secretary Glickman and USDA could have used the proposed rule as the tool in bringing all sectors of the diverse dairy industry together. Unfortunately, instead of leading the debate, the secretary has chosen to continue the status quo. As a result, Wisconsin dairy farmers will continue to suffer under an antiquated USDA pricing system."

Hoopla about fluid milk price ruling not supported by dairy industry facts

A commentary by Ray Mueller of Chilton, correspondent of the Wisconsin State Farmer.

Judging from what has appeared in the general media, economic bliss has descended on dairy farmers in Wisconsin in the wake of a ruling by U.S. district court judge David Doy in Minnesota on November 3. Doy ordered U.S. Secretary of Agriculture Daniel Glickman to stop the payment of differentials (or premiums) for milk bottled for fluid consumption because those differentials vary greatly across the country.

In news stories, analyses and editorials, writers for daily newspapers in Wisconsin printed claims promising everything from a \$5 per hundred increase in milk prices for dairy farmers in Wisconsin and Minnesota to decreases of 10 percent, or 20 cents per gallon, on milk prices in supermarkets, minimarkets and other outlets.

This sounds great — a tremendous increase in milk prices for dairy farmers, lower retail prices for milk, and a measure of vindication for upper Midwest politicians who have been changing since 1985 that the differentials set by Congress that year were an economic bonanza for dairy farmers in other parts of the country at the expense of those in the upper Midwest.

How much of this is true? The quick answer is "very little, if any of it." Unfortunately, much false, uninformative and poorly analyzed information has again been foisted on the Wisconsin

public by writers for many of the state's daily newspapers and the sources, including politicians, they used for the stories. Let's look at the facts.

For starters, let's realize that Judge Doy's ruling would wipe out the Class I fluid milk differentials across the country. That would include the \$1.20 per hundred for the differential in federal milk marketing order 68 (Minneapolis) and the \$1.40 for order 30 (Chicago) now being paid to dairy farmers for the portion of milk that is bottled. The state average for that is only about 15 percent while most of the remainder of the state's milk supply is used to make cheese, butter, and other dairy products.

What those halting the judge's order to the USDA have not recognized is that, certainly in the short term, eliminating the differentials would lower, not raise, the price for all dairy farmers according to the Congressionally set difference in their marketing area and in proportion to the percentage of the milk supply that is bottled. In Wisconsin, 15 percent of \$1.20 or \$1.40 isn't a huge amount but, technically, it would lower the average milk price by 18 to 21 cents per hundred. All other areas would lose more.

Incidentally, some of the daily newspaper accounts referred to the differential as "a subsidy." By definition, a subsidy is "a grant of money from a government to a private enterprise." The fluid milk differentials are not a subsidy. They are payments that the fluid milk bottlers make to the cooperatives and dairy farmers supplying the milk.

The daily newspaper accounts also stated that "the government sets" the milk prices. That is not true. What the government does is "calculate" a minimum milk price which is drawn from a federal survey of dairy manufacturing plants. The survey obtains the prices those plants receive for their manufactured products.

Those weekly prices are combined to set a minimum price for all milk. A minimum price is calculated for each month. It has fluctuated by \$4.67 per hundred in the past 14 months. The fluid milk differential is added to the minimum, or basic formula price (BFP).

The controversy is about how much the differentials are. The usual comparison to the \$1.20 and \$1.40 in Wisconsin is the \$4.18 for southeast Florida, a state where milk production has fallen in the 1990s. Most differentials are between \$1.50 and \$3.08.

Originally, differentials were strictly geographical — 20 cents per 100 miles from Eau Claire, Wis. In effect, they were a transportation allowance.

That formula was generally acceptable for a long time. But in 1985, much to the consternation of legislators from the upper Midwest, Congress intervened to set the differentials. Congress added \$1.03 for southeast Florida, \$1 for Louisiana and Mississippi, 67 to 83 cents for parts of the mid and deep South, 14 cents for the Chicago region, 8 cents for Minneapolis, and nothing for the Rocky Mountains, the Southwest and the Northwest (the three places, along with



RAY MUELLER

California, where milk production has increased since 1985). California, with its own pricing system, has some of the lowest on-farm milk prices.

Unlike milk buyers in other areas, Wisconsin dairy plants pay a series of premiums that raise the "milkbox price" for individual farmers by more than \$1 and sometimes over \$2 per hundred. Wisconsin dairy plants also assume a large portion of the hauling costs, which are a milk check deduction of 40 cents to \$1 per hundred in other areas. Despite numerous printed claims to the contrary, the net result is that Wisconsin "milkbox prices" are usually in the top five, not "some of the lowest in the country."

Unfortunately, most published accounts in the wake of Judge Doy's ruling have treated the differentials as the actual milk prices. That ignores the dairy plant premiums, the pickup of hauling costs, and over-order fluid milk premiums.

Unacknowledged in the accounts is that, in addition to the \$1.40 differential, the General Milk Producers Co-op obtains an over-order premium of up to \$2.10 per hundred for milk sent to bottlers in the Chicago and southern Wisconsin fluid markets. Of course, those premiums are diluted to the portion of fluid milk use (a 15 percent state average).

Except for the new Northeast Dairy Compact in New England, over-order premiums of that magnitude aren't common in the rest of the country. It's an unknown at the moment, but rescinding the differentials could also put the CMPC over-order premiums in jeopardy. A private bottler is already circumventing the CMPC to obtain milk and paying less for it.

Yet the promise of "a level playing field" (removing the differentials) has been welcomed in the upper Midwest. The field might be level, but it would

also be lower — lower milk prices everywhere. The only short-term relief it offers is removing the bitter political taste that upper Midwest legislators have been enduring since 1985.

Ironically, milk production has been burgeoning in areas that didn't get a higher differential in 1985 and falling in many that did. The main reason is lower costs of production. New cheese plants have followed in the areas with more milk production. Those plants pay less for milk and sell cheese for less than Wisconsin plants can afford to.

If the production of a \$5 per hundred milk price increase for Wisconsin were true, cheese plants would quickly disappear here because they'd have to change up to 50 cents more per pound of cheese. And if it were true, by now Wisconsin dairy farmers would already have purchased every available dairy cow and heifer rather than trimming the state's milk herd by 100,000 head in the past 14 months — the equivalent of 1,700 dairy farms.

There's no guarantee that Judge Doy's ruling will stand. It has changed the dynamics but does not add on farm milk dollars. As the ruling stands, those dollars would dwindle.

What's happened to our DNR?

To The Editor:

Our governor is in favor of sulfide mining in Wisconsin and has appointed George Meyer as head of our Department of Natural Resources (DNR). There seems to be widespread distrust in our DNR. And, it's the DNR who decides if

3. As a matter of general policy and practice, the Natural Resources Board does not take positions regarding proposed legislative initiatives.

At three different Sulfide Mining Moratorium Bill (SMMB) hearings, DNR representatives have testified

Class I Differentials Thrown Out

By Dave Natzke
Dairy Editor

The USDA Agriculture wants time to review a federal court decision eliminating Class I milk price differentials. The USDA last Friday asked the Department of Justice to seek a stay of the Nov. 3 ruling by U.S. District Judge David Doty.

Doty, ruling on "Minnesota Milk Producers vs. Glickman," said that the milk pricing rules were "arbitrary and capricious," and ordered the USDA to eliminate them.

He said the current system is "unlawful" due to the secretary's failure to consider the factors mandated by the Agricultural Marketing Agreement Act. That law requires Class I differentials to be based on national economic grounds.

As of early this week there was still confusion on when the order was effective, and what other steps the USDA would take.

Tom O'Brien, acting administrator of the USDA's Agricultural Marketing Service, said the USDA was asking the court to clarify that the decision is not applicable to October milk. If the court grants this request, October payments would be made based on existing Class I differentials.

Tom Amontree, spokesman for Agriculture Secretary Dan Glickman, said an appeal is also

under consideration.

"Our attorneys are still reviewing the decision. However, that being said, we believe the court's ruling could have a profound effect on how USDA responds to the congressional mandate to reform milk marketing orders," Amontree said.

The federal order system, which dictates the premium a farmer gets for Class I (fluid) milk, was established in the 1930s as a means to encourage milk production outside the Midwest. It set a central basing point and paid premiums to dairy farmers the farther away they were from that point.

Under the single basing point system, minimum Class I prices are set according to the distance from Eau Claire, Wisconsin at two-tenths cent per mile. For instance, plants 1,000 miles from Eau Claire would pay \$2 more per hundred-weight for Class I milk than those in Eau Claire.

Most people in the dairy industry agree that the system worked, with most areas of the country now meeting their fluid milk needs. However, critics of the program now say the program is outdated.

Growth in production outside the Midwest, along with technology and transportation improvements, have made it unnecessary to encour-

age milk production outside the region, they charge. In addition, milk and products produced outside the area are coming back into the Midwest, in the form of cheese and nonfat dry milk, hurting prices here.

Farmers and dairy leaders in the Upper Midwest have complained for years that the differentials are unfair because they gave farmers higher prices for milk the farther they live from Eau Claire.

"The differentials have contributed to expansion in those areas," said dairy economist Robert Cropp. "From a logical sense, those differentials don't make sense based on how milk is produced today. It was once a sound system, but it hasn't kept up with the changes in the industry."

Victory for Upper Midwest?

Wisconsin dairy representatives were quick to call the decision a victory for the area's dairy farmers.

"For years this policy has dunked Wisconsin farmers in a sea of low milk prices, compared to farmers in California, Texas and Florida," said State Rep. Gene Hahn, (R-Springvale), a longtime dairy farmer. "This ruling is a life saver that will

See MILK PRICE, on Page 3

Ruling Prompts Comments

"This is a major victory for Wisconsin dairy farmers who have contended for years that the current system of paying farmers for their fluid milk the farther away from Eau Claire, Wisconsin is completely discriminatory and unjustifiable. Finally, after nearly two decades of pushing USDA to correct this problem, and seven years of fighting the same battle in court, a federal judge has decided that Wisconsin farmers are right."

- U.S. Senator Russ Feingold (D-Wisconsin).

"Yes, there might be an appeal, and yes, there will likely be repercussions felt from other regions. But more importantly, I think we are seeing a shift in the dynamics of working for major federal order marketing order reform. And I think that's a shift in our favor."

- Rod Nilsestuen, president and CEO, Wisconsin Federation of Cooperatives

"Federal orders must be simplified and made more equitable so all dairy farmers across the country play by the same rules. Instead of using

Eau Claire as a basing point for fluid milk prices, Class I differentials should be as uniform as possible across the nation."

- David Livingston, chairman, Farmers Union Milk Marketing Cooperative board of directors

"I hope the decision is not appealed, but my guess is that it will be."

- Rep. David Obey (D-Wisconsin)

"This is the closest we've ever been to establishing a uniform price for milk across the U.S. - and a level playing field for Wisconsin dairy farmers. We need to keep up the fight to end 60 years of dairy discrimination."

- Wisconsin Rep. Gene Hahn (R-Springvale)

"It's not a good ruling, in my opinion. Our dairy members in the Northeast and South will take a blood bath. It only pits farmers against farmers, and it could hurt midwestern states such as Ohio and Indiana."

- Joe Paris, National Farmers Organization

Regional Differentials Examined

The federal order system dictates the premium a farmer gets for Class I (fluid) milk. It sets a central basing point and pays premiums to dairy farmers the farther away they were from that point.

Under the single basing point system, minimum Class I prices are set according to the distance from Eau Claire, at two-tenths cent per mile. For instance, plants 1,000 miles from Eau Claire would pay \$2 more per hundredweight of Class I milk than those in Eau Claire.

The differentials listed below are for 100 pounds of milk per hundredweight in the respective federal milk marketing orders. California has its own state milk marketing order, and different control factors pertain in other regions west of the Rockies.

Middle Atlantic.....	\$3.03
Carolina.....	\$3.08
Tennessee Valley.....	\$2.77
Upper Florida.....	\$3.58
Tampa Bay.....	\$3.88
Southeast Florida.....	\$4.18
Upper Michigan.....	\$1.35
Southern Michigan.....	\$1.75
Eastern Ohio-Western Pennsylvania.....	\$2.00
Ohio Valley.....	\$2.04
Indiana.....	\$1.90
Chicago.....	\$1.40
Central Illinois.....	\$1.61
Southern Illinois-Eastern Missouri.....	\$1.92
Louisville-Lexington.....	\$2.11
Upper Midwest.....	\$1.20
Eastern South Dakota.....	\$1.50
Iowa.....	\$1.55
Nebraska-Western Iowa.....	\$1.75
Kansas City.....	\$1.92
Southwest Plains.....	\$2.77
Texas.....	\$3.16
Eastern Colorado.....	\$2.73
Western Colorado.....	\$2.00
Southwest Idaho-Eastern Oregon.....	\$1.50
Great Basin.....	\$1.90
Central Arizona.....	\$2.52
New Mexico-West Texas.....	\$2.35
Pacific Northwest.....	\$1.90
New England.....	\$3.24
New York-New Jersey.....	\$3.14

MILK PRICE

Continued from Page 1

give our farmers a better price for our milk, and increase demand for our product."

While agreeing that the decision is a victory for Wisconsin dairymen, dairy economist Cropp warned farmers not to expect milk prices to suddenly increase substantially.

"The issue all along has been one of equity," said Cropp. "The change doesn't mean we are going to get substantial increases in prices here. But it will create a more level playing field. In the long run, you could say milk prices could be better."

"We are driven by cheese," Cropp noted. "When milk production expands in some areas, it means our cheese prices and milk prices are lower here."

In a pricing and policy paper recently published, Cropp said it was important the Upper Midwest keep united in pushing for reform.

"Let's not give false expectations that federal order reform will result in large milk price increases to Wisconsin and Minnesota's dairy farmers. Federal order reform is unlikely to provide significant milk price enhancement, nor price stability."

Minnesota and Wisconsin dairy farmers would likely see an increase of up to 50 cents for 100 pounds of milk if the fluid milk price differentials remain outlawed, said Tom Cox, an economist with the University of Wisconsin-Madison.

Bill Oemichen, of the Wisconsin Department of Agriculture, Trade and Consumer Protection, said the ruling would not have a major impact of Wisconsin milk prices. But the ruling will have a significant impact on milk prices in other states, like Texas and New Mexico, where differentials are much higher and more of the milk is bottled, he said.

Oemichen did say, however, that the ruling eliminated a good portion of the milk pricing system. "This decision went way beyond what anyone contemplated," he said.

Policy impact could be large

U.S. Senator Russell Feingold (D-Wisconsin) said that even if the ruling is appealed, its effect could be greatest on how federal milk pricing is structured in the future. The USDA is in the midst of considering several options to make changes as required in the 1996 farm bill.

"This federal court decision makes it far more difficult for the secretary to continue to defend the current system," Feingold said. "The cause is not yet won, but this is a major milestone in the battle for a more equitable milk pricing system."

"This could be one of the most important moments for Wisconsin dairy farmers in decades," said Feingold.

Court battle long

Farmers belonging to the Minnesota Milk Producers Association have been waging legal battles against the federal milk marketing system since the early 1980s.

"Judge Doty's decision recognizes what we've known for a long time: The federal pricing system discriminates against farmers in Wisconsin and the Upper Midwest," Wisconsin Governor Tommy Thompson said. The decision means the milk pricing system must be restructured, because "it cannot discriminate against Wisconsin farmers as it has in the past," Thompson said in a statement.

"We think this levels the playing field," added Ben Brancel, Wisconsin's new agriculture secretary, "and, ultimately, our farmers in Wisconsin will be getting a better price for their product, and Wisconsin milk will be more in demand."

Wisconsin Congressman Dave Obey said he agreed with the USDA's request for a stay.

"I agree that we may need a temporary stay so farmers can get their milk checks, but we also need to take advantage of the opportunity this decision has provided us," Obey said. "I will not support any significant farm legislation until USDA makes some serious changes in the milk marketing order system."

"I don't expect miracles, but I don't expect USDA to back off from this, either," Obey added. "Secretary Glickman needs to resist the pressure being put on him by Congressman Solomon (R-New York) and others like him to appeal the decision."

Anger, dismay outside Midwest

Joe Paris, of the National Farmers Organization (NFO) in Ames, Iowa, said the ruling could affect farm milk prices as early as next month.

"It's not a good ruling, in my opinion," said Joe Paris. "Our dairy members in the Northeast and South will take a blood bath" through reduced prices. "It only pits farmers against farmers, and it could hurt midwestern states such as Ohio and Indiana."

On Capitol Hill, meanwhile, supporters of the current milk pricing system said the judge's decision might eventually reduce supplies of locally produced milk in some regions where it is expensive to produce, such as the South, the Southwest, New York, New Jersey, and Pennsylvania.

"The expectation is that producer income will drop significantly and that farmers would go out of business as lenders refuse to provide credit," Senator Patrick Leahy (D-Vermont), said on the Senate floor. He suggested that this would open the door to milk suppliers from Minnesota and Wisconsin to sell reconstituted milk, in which the water is removed for shipping and then added back before the milk gets to the grocery.

"I do not think consumers are going to like this system of being dependent on reconstituted milk being shipped in from 1,000 miles away at who-knows-what price," Leahy said.

Louisiana Commissioner of Agriculture Bob Odom said the ruling could gut the Louisiana dairy industry within nine months, if it doesn't eliminate it.

"If this stands, at least 300 out of the 540 dairy farmers we've got in the state will be out of business by July," Odom said.

In New England, dairy farmers said they will fight the elimination of Class I price differentials, even though they are protected by a regional compact that sets minimum prices. Members of the Northeast Dairy Compact will support an appeal of the ruling because it will "decimate" farmers in other parts of the country, said Bob Wellington, an economist for Agri-Mark Dairy Cooperative, Methun, Massachusetts.

"We're insulated to some degree because of the compact, but this would affect other areas," Wellington said. "This decision impacts farmers all over the country to the tune of tens of millions of dollars."

"It's hard to project what the impact would be," said Massachusetts Agriculture Commissioner Steve Taylor. "But clearly, the Upper Midwest is attempting to get a bigger piece of the pie at the expense of other regions."

"If the ruling stands, there will be a protracted period of turmoil that could very well eventually imperil prices in New England," he said.

Debbie Erb, a New England dairy farmer, commented, "The compact gives us a limited protection. It doesn't return the cost of production to us, but it does give us some stability. We will be buffered a little."

Last month, Senator Rod Grams (R-Minnesota) called for a repeal of the Northeast Dairy Compact. Grams also has sponsored a provision in the agriculture spending bill now being negotiated that requires the Office of Management and Budget to study the effect of the compact.

Court Ruling Comes at Pivotal Time

By Dave Natzke
Dairy Editor

Last week's U.S. district court decision calling for the elimination of Class I price differentials comes at a pivotal time in federal dairy policy history. The 1996 farm bill ordered the USDA to reform U.S. dairy pricing policy, and proposed changes are to be published early this winter.

Class I pricing policies are part of overall federal dairy policy reforms. Agriculture Secretary Dan Glickman earlier this year offered six Class I pricing options in his reform proposals, ranging from minor changes to a single nationwide differential.

"During that process, we have repeatedly told Glickman that he should include in his plan a way to fix the differentials so that they don't discriminate against Wisconsin farmers," said U.S. Rep. David Obey (D-Wisconsin). "This decision gives USDA an opportunity to change the system. I hope Secretary Glickman will send a message to Congress to change the system in major ways."

"Congress has been wrong-headed in continuing such a system, and I am happy that the judge has sent a signal to Congress that they must change this outdated system," Obey added.

"This ruling reinforces the compelling case... for order reform," said David Livingston, chairman of the Farmers Union Milk Marketing Cooperative (FUMMC) board of directors. "Secretary Glickman is obligated to fully recognize the federal court's ruling when he comes out with a proposed rule on reforming milk orders later this year."

"Federal orders must be simplified and made more equitable so all dairy farmers across the country play by the same rules," Livingston said.

The farm bill also ordered Glickman to consolidate federal orders to no more than 14 and no fewer than 10. There are currently 31 federal orders. The USDA is also authorized to consider multiple basing points instead of the current single point, Eau Claire, Wisconsin.

The introduction of proposed reforms this winter will be followed by a 60-day public comment period. A final rule could be issued in August of 1998, followed by another public comment period. A producer referendum would be held in the fall of 1998. If approved by producers, the new federal milk pricing policy could be in effect by Jan. 1, 1999.

Upper Midwest dairy leaders have called on the region's producers to step up their push for a plan that is more friendly to the area's milk producers. U.S. Senators Russ Feingold and Herb Kohl, both Wisconsin Democrats, and Minnesota's Senators Rod Grams and Paul Wellstone hosted a meeting of Upper Midwest senators last week to discuss milk pricing policy.

The Upper Midwest Dairy Coalition, made up of producer and processor groups, also called on members to voice their opinions with the ag secretary. The coalition has called for more uniform class I differentials, increase of class I utilization in the Upper Midwest by creating a larger regional order, replacing the Basic Formula Price with a method that surveys competitive pay prices, and bringing California into the federal order system.

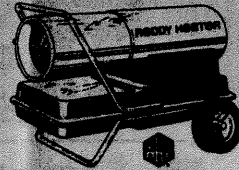
Dairy farmers wishing to express opinions of federal milk pricing policy reform can write: The Honorable Dan Glickman, Secretary of Agriculture, U.S. Department of Agriculture, 14th St. and Independence Ave., SW, Washington, D.C. 20250. You can also call or fax your comments to the USDA at 202-720-3851; fax 202-720-2186.

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Country Exchange

Classifieds

Cropp: USDA still has final say in milk order reform

By Judy Brown

Regional Editor

GREEN BAY — Last week's ruling by U.S. District Judge David Doty of Minnesota declaring federal milk marketing orders illegal has reverberated throughout the industry. But the immediate impact is that the ball is in the U.S. Department of Agriculture's court, industry observers say.

Reports are that USDA will seek a stay of the judge's order.

"We don't know exactly what USDA will do," said Robert Cropp, University of Wisconsin-Extension dairy marketing specialist. "There are a lot of different possibilities."

Mr. Cropp, who spoke at the Wisconsin Federation for Cooperatives annual convention, said that following the court ruling, all parties have agreed that October milk pricing will not be affected. Handlers will pay producers in mid-November for October milk under federal order rules.

What happens next is open to speculation, said Mark Rokala of Washington, D.C., legislative assistant to Sen. Herb Kohl, D-Wis.

"What I'm expecting to happen is USDA will ask for a stay. I'm not sure whether the judge will say

I'll give you 60 days or whatever to appeal this. I think he may not. If he says 'no,' then they would appeal to a different court on whether or not they can appeal it. It's not going to affect October milk but November and December milk," Mr. Rokala told The Country Today.

It's possible USDA could also ask for a stay not of 60 days but of 1-1/2 years until it finishes congressionally mandated federal order reform by April 1999.

"I don't know if the judge will agree to either one of them. He's pretty much run out of patience with them. But 60 days will allow USDA to get their act together and work with the Department of Justice to appeal the decision," Mr. Rokala said.

In the 7 years since the Minnesota Milk Producers filed the original lawsuit challenging the Class I differentials, he said, USDA has been asked on several occasions to justify the federal order program.

"USDA was not able to justify keeping the federal milk marketing order system," Mr. Rokala said.

USDA is developing a list of options, said Will Hughes of the University of Wisconsin Center for Cooperatives. Mr. Hughes coordinated the Upper Midwest Dairy



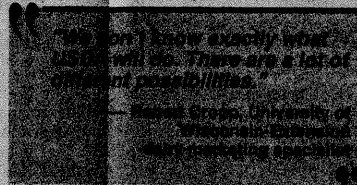
Coalition effort for the Wisconsin Federation for Cooperatives. He said the decision adds momentum to the coalition's efforts.

"We have some good facts on our side, so I think USDA Secretary Dan Glickman is in a hard-put place. On the political side he has a fine line to walk, but he has fundamental economics he has to pay attention to. This court case just helps us," Mr. Hughes said. "It's good news for the Upper Midwest."

The political side of milk price reforms has to acknowledge the court case, Mr. Hughes said.

Recently 48 senators and 113 representatives pressed Mr. Glickman to include what's known as Option 1A in the reform package that USDA is expected to unveil in December.

Essentially Option 1A maintains the status quo and offers no net gain for the Upper Midwest, Mr. Hughes said.



"So therefore the structural inequities that we feel are in the present system remain. So it's no deal," Mr. Hughes said.

The court case shifts the debate to an economic basis, he said.

"That's the burden USDA has to meet at some point," Mr. Hughes said.

Mr. Cropp agreed that Option 1A, supported by politicians from several regions of the United States, would keep the status quo.

"I think 1A is out the window. It won't cut the mustard," Mr. Cropp said. "In some respects the court decision takes some of the heat off Mr. Glickman. Politics has made it tough for change."

While the federal order situation remains fluid, Mr. Cropp said opportunities are present for co-ops to provide market needs, such as balancing supplies to handlers.

"We don't look for any big negative price impact. In the long run co-ops are in a real good posi-

tion to negotiate with processors. We just won't be able to call them over-order prices," he said.

The ruling won't have a significant impact, said Timm Johnson, a New Richmond dairy farmer. He appeared on a dairy panel at the WFC dairy session Nov. 11.

"I don't think it will have as much impact in the long run," Mr. Johnson said. "What's really the challenge is the amount of cheese from California coming into Wisconsin and the Upper Midwest."

Another panel member, Pete Kappelman, a Manitowoc dairy farmer, saw the court decision as useful in the federal milk marketing order reform process.

"I'm hoping the Class I differential will now get the attention it deserves," he said.

Feedlot draft to be presented

BUFFALO, MINN. — A proposed feedlot ordinance for Wright County will be discussed in three public meetings scheduled later this month.

Meetings will be held at the following locations: Nov. 24, 1:30 p.m., Cokato Public Library; Nov. 24, 7:30 p.m., Silver Creek Town Hall; and

The industry expects to hear from the National Milk Producers Federation later this week, according to Joan Behr, Baraboo, vice president of communications for Farmost Farms USA.

She said NMPP board officer conducted a teleconference Tuesday to take the pulse of the industry following the surprise Minnesota decision.

"I think everybody was kind of caught by surprise," Mrs. Behr said. "We applaud the Minnesota Milk Producers for their persistence."

The court decision will help head the Upper Midwest's position in federal order reform, she said.

"It will get USDA's attention and have them take a look at Class I differentials," Mrs. Behr said.

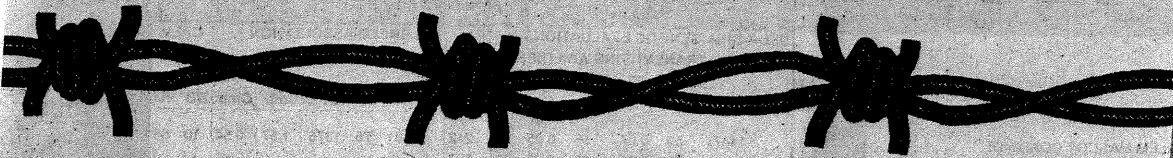
Nov. 25, 7:30 p.m., County Courthouse, Room 120, Buffalo

A draft of the county ordinance will be presented at the meetings.

For more information or to obtain a copy of the ordinance draft, call the County Zoning Office at (612) 682-7338.

A SOUND

ACROSS THE LINE FENCE: *Editor*



State of Wisconsin

A commentary by Wisconsin Governor Tommy G. Thompson, State Capitol, Madison.

A milk pricing system that has placed Wisconsin dairy farmers at a competitive disadvantage for decades may be coming to an end, thanks to a judge who declared the system illegal.



GOV. TOMMY THOMPSON

U.S. District Judge David S. Doty ordered U.S. Agriculture Secretary Dan Glickman to stop administering the system that set higher prices for milk based on the distance dairy farmers are

Dairy farmers hail decision that

from Eau Claire.

If the ruling is allowed to stand, it will enable Wisconsin dairy farmers to compete on a level playing field with their counterparts outside the Midwest.

Doty's ruling is great news for Wisconsin. When our farmers suffer, the state suffers, because agriculture is the backbone of our economy.

The judge's decision, issued following a challenge in Minnesota, contended that Midwest dairy farmers were at a price disadvantage on milk sold for bottling. The disadvantage meant much lower milk prices for Wisconsin and other Midwest dairy farmers.

For example, the maximum subsidy, or differential, paid to Wisconsin dairy farmers is \$1.20 per 100 pounds of milk, while farmers in southern Florida are paid \$4.18 per 100 pounds.

A leveling of the milk marketing system could mean the rate of dairy farmers leaving their farms could be slowed.

Wisconsin has been losing an average of about a thousand dairy farmers a year. In the 1980s, Wisconsin had about

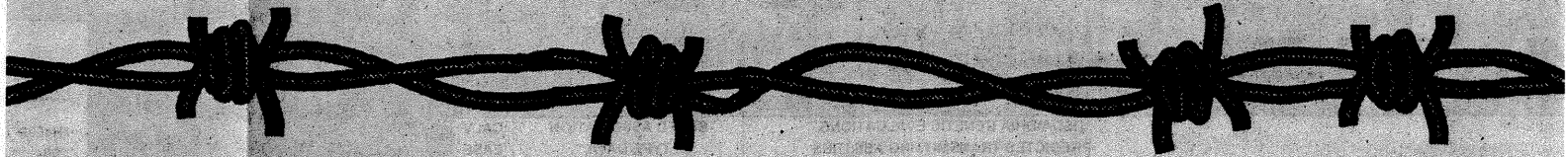
33,000 dairy farms. The total now is about 26,000 dairy farms.

Improved milk prices could encourage more farmers to postpone retirement or not to leave farming altogether because of the slump in market prices.

Our farmers can compete with farmers anywhere on a level playing field. Wisconsin is still the best place to dairy farm. Our dairy farmers have access to high quality feed, plentiful clean water, a solid core of veterinarians, and relatively inexpensive electricity.

These advantages have enabled our dairy farmers - who rank No. 2 in the nation in milk production - to produce

Articles, Opinions & Letters To The Editor



applauds milk price ruling

milk pricing system is unlawful

high-quality milk and cheese.

Judge Doty's decision marks an important step toward ending a marketing program that was adopted in 1937 to promote dairy farms in areas beyond Wisconsin and the upper Midwest.

The judge called the agriculture department's milk pricing system "arbitrary and capricious."

The current federal pricing system applies only to milk that is used for fluid purposes. Prices of other products, including cheese and butter, are affected indirectly.

Under the system, the closer a farmer

lived to Eau Claire, deemed the center of the dairy universe, the less money the farmer got for his milk. Interstate highways, refrigerated trucks, and an increase in dairy operations throughout the nation have made the system obsolete.

This system long ago outlived its usefulness and should be scrapped.

Wisconsin dairy farmers and other foes of the system have correctly argued for years that regional differences are obsolete in this era of interstate highways and refrigerated milk trucks.

The trend in Wisconsin dairy farming is toward larger and more efficient

operations. The average size herd is about 53 cows. In 10 years, it is expected the average herd will be about 90 cows.

Doty's decision does not affect the dairy industry in California, which has its own milk pricing system. California replaced Wisconsin as the No. 1 milk producer in 1996.

The ruling is only the first step in changing the system.

Leveling the market system that has existed for decades won't be easy, because so many U.S. representatives from areas that could be adversely affected by the change.

Judge Doty's decision has clearly put the matter on the right track.

Court hears milk pricing arguments

At issue is a system that penalizes the Midwest

St. Louis — An antiquated method of setting the prices of milk still is necessary so that dairy farmers outside the Midwest can support themselves, lawyers for the U.S. Department of Agriculture and other organizations told a three-judge panel Monday.

But supporters of a revamp of the geographic pricing system, including Wisconsin officials, said proposed changes need to

take effect quickly so that farmers in the northern Midwest region are no longer treated unfairly.

The two sides argued their cases before the 8th U.S. Circuit Court of Appeals in St. Louis, which is hearing an appeal of a judge's decision that threw out much of the 60-year-old federal milk pricing system.

In that ruling, U.S. District Judge David Doty of Minnesota gave the USDA until Sunday to dismantle parts of the milk pricing system that discriminates against Midwestern dairy farmers.

A three-judge panel, made up of Chief Judge Richard S. Ar-

old and circuit judges Theodore McMillian and James B. Loken, heard the arguments and will rule later.

Doty's ruling unfairly reduced the prices that are paid for fluid milk to about 60,000 to 75,000 U.S. Justice Department. The ruling could lead to a sharp drop in the numbers of dairy farmers in the country, Claire said.

But if the order isn't put into place, dairy farmers in the upper Midwest will continue to lose money, said Lynn Hayes, a lawyer for the Farmers Legal Action Group in St. Paul, Minn.

By NATALIE GOTT

Associated Press

MJS
2-10-98

Change in milk pricing delayed

Court issues stay in USDA appeal of order that would dismantle old system

By MEG JONES
of the Journal Sentinel staff

A court-ordered dismantling of the nation's milk pricing system was postponed Thursday, but Wisconsin officials said they expect a ruling soon on the controversial issue.

The 8th Circuit U.S. Court of Appeals in St. Louis issued a stay of the order until that court reaches a decision on the case. The stay will allow the U.S. Department of Agriculture to continue the existing system until the court rules on the appeal.

U.S. District Judge David Doty, of Minnesota, ruled earlier that a revamped system that would scrap much of the nation's milk pricing system was to take effect Sunday. The USDA appealed that ruling, and Thursday's decision blocks any changes from taking effect until the appeals court rules.

Farmers and agriculture officials in Wisconsin and across the United States are anxiously waiting for the ruling.

any... have...
check has a stake in the case," said Sandy Chalmers, spokeswoman for the Wisconsin Department of Agriculture, Trade and Consumer Protection.

"At least (the stay) keeps the case alive and well. We still expect the judges to rule on the merits of the case," Chalmers said. "Under the normal appeals process, they would have heard this case maybe in a year, and they heard it in a couple of months. We do expect the ruling in a matter of weeks, not years."

Chalmers predicted the case ultimately will end up before the U.S. Supreme Court.

Lawyers for the USDA and others were at the 8th Circuit U.S. Court of Appeals in St. Louis on Monday to appeal the decision that threw out much of the 60-year-old federal milk pricing system.

A three-judge panel, made up of Chief Judge Richard S. Arnold and Circuit Judges Theodore McMillian and James B. Loken, heard the arguments and will rule on the appeal later.

The USDA is arguing the antiquated method of setting the prices of milk is necessary so dairy farmers outside the Midwest can support themselves.

Wisconsin dairy farmers want the system changed because they get paid less for their milk than farmers in other parts of the country.

Because farmers are paid more for their milk the farther they are from Eau Claire, farmers in Florida and New Mexico earn substantially more for their milk than Wisconsin farmers.

The pricing system was started in 1937 to promote dairy production in other areas of the country besides the upper Midwest.

The Associated Press contributed to this report.



Photo

Packing for Texas

Dale Trachte, on forklift tractor, and Doug Hauke, both of Marshfield, load honeybee hives onto trucks in Marathon County. The hives were being prepared for transport to Texas, then will be taken to California to Texas before returning to Wisconsin in the spring. For a story on the bee-moving project, please turn to page 7B.

Congress delays fast track trade

WASHINGTON D.C. — President Bill Clinton decided early Monday to ask House Republican leaders to withdraw a bill that would grant him "fast track" trade negotiating authority rather than face a damaging loss on a major foreign policy issue.

GOP leaders — hoping to finish their legislative business for the year over the next few days — pulled the measure due to lack of votes and said there was a slim possibility it could be revived later in the week.

House GOP leader Dick Army of Texas, asked if there was any chance of reviving "fast track," said, "I feel a little like Pip. I still have great expectations, but I have no announcement or prediction at this time."

House Speaker Newt Gingrich, R-Ga., called Mr. Clinton just before midnight to tell him they were short of the necessary votes and to ask him what he wanted to do regarding the measure.

"We've told the president he needs to fish or cut bait ... we're waiting to hear from the president," Rep. Tom DeLay of Texas, the No. 3 GOP leader in the House, said earlier.

The bill would guarantee that Congress accept or reject — but not amend — any trade agree-

ment negotiated by the president. Every president since Gerald Ford has had fast-track authority.

The vote, originally scheduled for Friday, had been repeatedly delayed as Mr. Clinton struggled to persuade Democrats to support the measure and Rep. Gingrich tried to wring more votes out of his supporters.

Opponents of the bill, led by House Democratic leader Richard Gephardt of Missouri, said Sunday their count showed them with enough votes to defeat the measure, but it was still very close.

However, Republicans said that if the bill was brought to a vote, and it became apparent it was going to be defeated, there could be a rush of lawmakers switching votes at the last minute, creating an avalanche against the bill.

"If it loses, it will lose big-time," said Rep. Lindsey Graham, R-S.C., who opposes the bill. "I think a lot of people

feel if it's not going to pass, then they want to vote no because people don't understand what we're doing ... the safe vote is no."

A defeat of that magnitude could seriously hurt Mr. Clinton's stature with U.S. trading partners. Rep. Gingrich warned Republicans that failure to pass the bill could lead to a devaluation of the dollar.

Rare allies, Mr. Clinton and Rep. Gingrich had made last-minute appeals to lawmakers in their prospective parties throughout the weekend, although they used very different pitches.

Clinton lieutenants appealed to Democrats' party loyalty, warning that a defeat could seriously wound the president at home and abroad. For Democrats skittish about angering labor unions, the president offered to help raise campaign funds.

Having extracted as many GOP votes as possible based on

economic arguments, Rep. Gingrich appealed to Republicans not to trade a precious victory for a traditional labor union victory.

"Our side believes it would be bad for this country to let union bosses to have the right to dominate the foreign market of this country," Rep. ...

There appears to be support for the bill in the Senate, which has asked the House to act.

Opponents said they had been able to get support from only a few Democrats, or about a third of his party.

The bill is primarily supported by Republican allies in business who believe reducing trade barriers is critical to a competitive export market.

Opposition has come from Democrats, labor unions, environmental groups and those who wanted provisions in the bill that any trade agreement include protections from import competition from import services made without in countries where and producers are allowed to pollute at will.

Ruling may delay milk order reform

Judge from Page 1A

and consumer milk prices should the farmers prevail in their lawsuit.

Minnesota and Wisconsin dairy farmers likely would see an increase of up to 50 cents for 100 pounds of milk—an increase of up to 3.9 percent on the current price of about \$12.80—if the drinking milk price differentials remain outlawed, Mr. Cox said.

But Bill Oemichen of the Wisconsin Department of Agriculture, Trade and Consumer Protection said Wisconsin milk prices were more in line with the market and not so dependent on federal supports as prices elsewhere.

Also, only about 15 percent of Wisconsin milk is bottled—most is made into cheese—so dairy farmers in the state do not receive the full benefits of the fluid milk differential, he said.

Lori Weaver, director of dairy marketing for the Wisconsin Federation of Cooperatives, said this is not the time for guessing what the ruling may ultimately mean in terms of milk prices.

"I think the bigger focus right now should be on how this can positively impact our ongoing push with USDA for price restructuring," Ms. Weaver said.

The Eau Claire-based system

was originally intended to ensure an adequate supply of fresh milk around the country by encouraging the growth of dairy industries in states where there were few dairy farmers.



Rep. Ron Kind

But Ben Brancel, Wisconsin's agriculture secretary, said the result of the 60-year-old system has been to boost milk prices artificially and encourage rampant growth in dairy industries in Southern states.

New Mexico now has the fastest-growing dairy industry in the country, Mr. Brancel said.

The ruling will likely have the greatest impact on milk prices in those Southern states, where the differentials are much higher and much of the milk is bottled, Mr. Oemichen said. For example, a southern Florida farmer gets about \$4.18 per hundredweight in milk price differentials.

"We think this levels the playing field, and ultimately, our farmers in Wisconsin will be getting a better price for their product, and Wisconsin milk will be more in demand," Mr. Brancel

said.

USDA officials announced Nov. 7 they would seek a stay on the ruling. They also reported the judge's ruling would not affect the October milk price paid to producers in November.

Dairy experts say the USDA could appeal Judge Doty's decision, which would delay its impact until the appeal is heard, or he could ignore it until he puts together a new federal milk pricing system, which is supposed to be announced by the end of 1997.

Rep. Kind said he visited with Mr. Glickman about the ruling Nov. 6, and was told the decision would likely delay the USDA's milk order reform plan. "They're trying to determine that right now," Rep. Kind said. "Many economists at USDA were quite surprised with this decision, so they're meeting to discuss what to do next."

The delay is likely an indication that the USDA's reform plan was not going to be as favorable for the Midwest as had been hoped, Kind said.

Now the reform may better reflect a more level playing field, he said.

And he said he has received assurances from Majority Leader Richard Armey that no "legisla-

tive end-runs" around Doty's ruling will be allowed to proceed through the House.

Sen. Feingold said the federal court decision "makes it far more difficult for the secretary to continue to defend the current (milk pricing) system, which is undeniably unfair to Wisconsin farmers."

"This new legal development will have to be taken into account by the USDA and may result in a more favorable USDA decision for Upper Midwest dairy farmers," he said.

David Livingston, chairman of the Farmers Union Milk Marketing Cooperative board, said the judge's ruling "reinforces the compelling case which FUMMC and other members of the Upper Midwest Dairy Coalition and our U.S. Senate and House delegations have been making for order reform."

"Federal orders must be simplified and made more equitable so all dairy farmers across the country play by the same rules. Instead of using Eau Claire as the basing point for fluid milk prices, Class I differentials should be as uniform as possible across the nation," Mr. Livingston said.

The Associated Press contributed to this story.

Woodlots can have a variety of uses

Trees from Page 1A

The producer also found that as the amount of available forage decreased, the sheep would nibble on the Christmas trees, creating some damage.

However, the sheep kept the weeds and grasses from crowding the young trees and assisted in their quality growth, Ms. Hodge said.

In alley cropping, farmers plant or leave trees in single, double or triple rows, and plant a different crop or crops in the "alley" between the trees.

The variety of tree and accompanying crops must be chosen carefully, Ms. Hodge said.

The best trees would offer light shade only, provide value in wood and/or fruit, have a deep — not shallow — root system, and produce rapidly decomposing leaves, she said.

In the more temperate climate of Missouri, farmers have successfully grown walnut trees and soybeans, wheat or hay, she said.

A variation on alley cropping is to plant walnut trees fairly close together and create raised beds of ginseng beneath the trees, Ms. Hodge said. The trees provide natural shade, and the ginseng provides a valuable secondary crop.

Small farm interest growing

Last year's Small Farm Trade Show and Conference attracted more than 2,000 people from 22 states — and the 1997 conference was even larger, attracting more than 2,500 people.

The Nov. 7-8 conference was held at the Boone County Fairground just outside Columbia, Mo. Presenters offered lectures and short courses on non-traditional ways of increasing farm profits, marketing and other aspects of diversified agriculture. Nearly 100 vendors participated in the accompanying trade show.

The 1998 Small Farm Trade Show and Seminar is scheduled for Nov. 6-7, again at the Boone County Fairground in Columbia.

A more northern farmer could consider pine trees and blueberries or other crops that require a more acidic soil. Ms. Hodge also promoted using silver maple as a secondary tree. The fast-growing tree is a "biomass tree," she said, useful for making wood pellets burned in some wood stoves and various pressed-wood lumber products.

The alley between trees should be wide enough to allow one pass with harvesting equipment, Ms. Hodge said.

The University of Missouri-Columbia is conducting research to determine the effect of shade on various crops grown in the alley, to help farmers select the alley crop.

In forest farming, farmers take advantage of the environment formed by existing forests to produce a specialty crop.

In addition to ginseng, producers could grow mushrooms, berries, medicinal plants or flowers, Ms. Hodge said.

The key is knowing what the local market can use. Farmers in the Pacific Northwest have been able to harvest and sell the ferns that grow beneath their trees; Ms. Hodge noted that ferns also grow well in heavily forested areas in the Midwest.

She provided one example of a farmer who planted silver maples in an area with frequent flooding, and planted wildflowers under the trees. As the trees grow, the producer is able to harvest the wildflower seeds for another source of income.

Ms. Hodge also promoted the use of trees as shelterbelts and protective strips.

Research conducted by the

University of Missouri-Columbia indicates that many plants provide a better yield if they are protected from winds, Ms. Hodge said.

Windbreaks protect land up to 10 times the height of the trees, she said. A line of 30-foot trees will protect up to 300 feet of crops downwind during the growing season, and can provide livestock protection if the same land is used to house cattle during the colder seasons.

Lines of trees can reduce the amount of wind hitting livestock by as much as 70 percent, she said, resulting in reduced stress and potentially lower feed costs.

Farmers with streams through their property can use lines of planted trees to reduce erosion and nutrient load into the water — and can receive income from the harvest of the trees in the future.

An example from Ontario, Canada, showed the rapid growth of silver maples along a stream. The trees and plantings of selected bunch grasses quickly turned the barren, eroding streambank into a shaded, healthy micro-environment, she said.

Finding a secondary use for forest lands that does not harm the forest crop allows farmers to make the most of their resources, Ms. Hodge said.

Hughes a veteran of milk-price wrangling

By Jim Massey

Editor

MADISON — It's been a long battle, and Will Hughes, a seasoned veteran of the milk order reform war, would be the first to say it's still a long way from being over.

Mr. Hughes, now an outreach manager at the University of Wisconsin Center for Cooperatives, has been a key player in the Upper Midwest's fight for milk price fairness since early in this decade.

He began the battle as a policy analyst/economist for the Wisconsin Department of Agriculture, Trade and Consumer Protection, then moved on to coordinate the Upper Midwest's effort while employed by the Wisconsin Federation of Cooperatives. He now continues the fight in the position he assumed about 2 months ago.

"The lawsuit (by the Minnesota Milk Producers) goes way back to the federal milk order hearings in 1990," Mr. Hughes said.

that he agrees there is unfairness in the current pricing system. However, regional dairy politics may have prevented the secretary from taking action to correct the unfairness.



Will Hughes

"I think this ruling just propels the debate more in the direction of economics and policy instead of politics," Mr. Hughes said. "But we'd be fooling ourselves if we were to say (regional) politics will go away."

Over-order premiums paid by cooperatives and keen competition in the marketplace have kept milk prices relatively high in the Upper Midwest as compared to other parts of the country, despite the fluid milk differentials that dairy farmers in this country have been complaining about for years, Mr. Hughes said. But doing away with the differentials still will be beneficial to the Upper Midwest.

Dairy Coalition) was involved in 43 days of federal hearings that resulted in more than 10,000 pages of testimony. That suit ping-ponged in the courts over the years, but we were also involved in huge debates as part of the farm bill with (former congressman) Steve Gunderson leading the charge.

"The forces were great against getting the system changed, but the bottom line was we never gave up."

Mr. Hughes said the federal judge's ruling regarding fluid milk differentials is "a piece of good news, because it brings to the forefront the economic and legal issues that should have been paid attention to all along. Now, the judge is forcing (the USDA) to consider those issues."

Mr. Hughes said it's still uncertain what the judge's ruling will mean, because the 1996 Farm Bill gave the U.S. ag secretary sweeping power to make and enforce dairy policy.

"How this will play out will really depend on what the secretary feels he can do to get (the issue) behind him," Mr. Hughes said. "The USDA still has a list of options they're looking at. They still have a lot of flexibility."

Mr. Hughes said Agriculture Secretary Dan Glickman has said in the past

"More milk is produced in other parts of the country because of the higher prices generated by the differentials," Mr. Hughes said. "Extra milk is hitting the manufacturing markets, and that lowers our share of the revenue pie. That's what we're trying to get corrected."

"If you go at this and say you're going to produce a huge milk price increase, that's not why we're doing it. It's the artificially induced structure that creates an economic disadvantage for the region. If we can remove that artificiality, we will have an opportunity to go out and do other things like concentrate more energy on building markets."

The 1996 Farm Bill requires the federal government to end the dairy support program by the end of 1999, but that doesn't mean the federal milk order system will go away, Mr. Hughes said.

"The order system will still be there to affect the pricing structure, so that's why it's so important to get the system changed," he said.

"If we can't get the politics out of the system, it's doomed, whether it be in 1 year, 3 years or 5 years. The Midwest has the least to lose and the most to gain by getting those changes made."

Thompson wants milk pricing system to end

Agriculture officials in Washington should treat Wisconsin dairy farmers the same as those across the country by ending a fight to keep the current milk pricing system, the governor says.

U.S. Agriculture Secretary Dan Glickman is appealing a federal judge's ruling that the current pricing system is illegal.

Gov. Tommy Thompson says Glickman is costing each Wisconsin farmer \$5,300 a year by appealing the decision from U.S. District Judge David Doty of Minneapolis.

Doty ruled earlier this month that the decades-old pricing system that pays farmers more the farther they are from Eau Claire, has "no rational connection" to supply and demand in the milk industry today. The lawsuit was filed by a group of upper Midwest dairy farmers.

Obey: end discriminatory milk marketing orders

WASHINGTON, D.C.

Wisconsin Congressman Dave Obey met with U.S. Secretary of Agriculture Dave Glickman and told him the Department of Agriculture has an obligation to use the recent federal court decision to overturn milk marketing orders to make significant changes in the outdated milk pricing system.

"I don't expect miracles, but I don't expect USDA to back off from this either," said Obey. "Secretary Glickman needs to resist the pressure being put on him by Congressman Solomon (R-NY) and others like him to appeal the decision."

On Wednesday, Nov. 5, a federal court judge in Minnesota made a ruling that the current milk marketing order system that determines the price dairy farmers get for their milk, was "arbitrary and capricious." The judge ordered Secretary

Glickman to change the differentials which determine how much farmers are paid based on their proximity to Eau Claire, Wisconsin. Pricing milk with such differentials is discriminatory towards dairy farmers in Wisconsin and the Upper Midwest regions of the country.

Since then, the Secretary has announced that he has asked the Department of Justice to seek a stay of the judge's ruling for the next 30 days because the uncertainty the decision has created could affect payments to farmers.

"I agree that we may need a temporary stay so farmers can get their milk checks, but we also need to take advantage of the opportunity this decision has provided us," Obey said. "I will not support any significant farm legislation until USDA makes some serious changes in the milk marketing order system."

Judge throws out milk order provision

By The Country Today Staff
MINNEAPOLIS—A federal judge in Minneapolis has ordered the government to eliminate part of a federal milk-pricing system that has been fought for years by Upper Midwest dairy farmers.

The system sets higher prices the farther the farmer is from Eau Claire, because the west central Wisconsin city was considered the nation's center of dairy production when the policy was established 6 decades ago.

U.S. District Judge David Doty ruled in a decision released Nov. 5 that the milk-pricing rules were "arbitrary and capricious." He ordered U.S. Agriculture Secretary Dan Glickman to eliminate Class I price differentials.

"This could be one of the most important moments for Wisconsin dairy farmers in decades," U.S. Sen. Russ Feingold, D-Wis., said of Judge Doty's ruling.

"Judge Doty's decision recognizes what we've known for a long time: The federal pricing system discriminates against farmers in Wisconsin and the Upper Midwest," Wisconsin Gov. Tommy Thompson said in a statement.

Rep. Ron Kind, D-Wis., said earlier this week that he suspected that the USDA and even the plaintiffs in the suit will ask for a delay in its enforcement to give the department time to prepare a plan that will maintain stability across the country.

Judge Doty ruled in Minnesota Milk Producers vs. Glickman that the current Class I differentials were "unlawful due to the secretary's failure to consider the factors mandated by the Agricultural Marketing Agreement Act," which requires that federal milk marketing order prices be justified on national economic grounds.

The lawsuit was originally filed in 1990 by the Minnesota Milk Producers Association.

Kind said there was "joy in Mudville" following the judge's ruling.

"It's exactly the thing I've been telling the secretary and economists at the ag department," Rep. Kind said. "There was no justification for continuing these

differentials the way they were. Hopefully this will now give (Secretary Glickman) the legal justification and political cover he needs to make the changes we've been asking for."

The judge's decision had farm groups and companies in the Upper Midwest scrambling to anticipate what will happen next.

Wisconsin Farm Bureau Federation President Dan Poulison said the judge's ruling helps break the political stalemate that has prevented meaningful reform in the past.

"We're extremely pleased with the federal judge's ruling to do what legislatively we've been outnumbered from doing," he said.

"The federal judge recognized what Wisconsin dairy farmers have been saying all along — the federal milk marketing order system is not fair, it is not based on good economics, and it is not good policy."

But not all farm groups think an immediate elimination of the differentials would be beneficial.

Gene Paul, National Farmers Organization president, said it disagrees with the ruling, because it would remove money directly from dairy farmers' milk checks.

"Upper Midwest political leaders and Judge David Doty don't fully realize the negative impact this will have on producers in their own home states," Mr. Paul said. "Many Minnesota and Wisconsin dairy producers are unaware that they will lose approximately \$55 million annually."

Ron Stutz, director of member services for the Wisconsin NFO, said "the ruling may be a lot of commotion about nothing."

Mr. Stutz said the NFO supports national reform of the federal system, but eliminating the differentials without a reform plan in place could hurt farmers across the country.

He said he hoped the judge's ruling would help push the federal government toward that reform.

Tom Cox, an economist with the University of Wisconsin-Madison, said he has researched what is likely to happen to farm

'Level Field' Still Not Fair

To the Editor:

Recent statements from the Upper Midwest Dairy Coalition - a group composed mostly of processors and state government bureaucrats - indicate they intend to make a lot of noise but do absolutely nothing about the low milk price. The Upper Midwest Dairy Coalition says lack of a "level playing field" in the federal orders is crippling Wisconsin dairy production.

They avoid telling the truth, that milk prices below the cost of production are killing not only Wisconsin farmers, but farmers nationwide. Over 6,600 dairy farmers were driven off their land this year.

The 40 to 50 cents gained by making uniform Class I prices is not what is holding back our dairy industry. It's the simple greed of the processors. To claim uniformity of the Class I differential as a solution for the Midwest implies that farmers in other regions are being paid too much for milk. Forty to 50 cents per hundredweight will not stop the loss of five dairy farms a day in Wisconsin.

Rather than working to raise prices to the cost of production, the Upper Midwest Dairy Coalition is working to bring down milk prices in other regions to Wisconsin levels. Their philosophy of "let all farmers suffer equally" is shown in their protest over the Northeast Compact.

Processors always advocate a level playing field for farmers, just as Roman emperors advocated a level playing field in the arena where gladiators were forced to fight to the death. The blood sport continued until those gladiators decided to join together, cooperate, rather than killing each other off for the pleasure of the wealthy few.

Dairy farmers need to take similar action.

Francis Goodman
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 Wausau, WI 53988

Editor's note: According to its membership list, the Upper Midwest Dairy Coalition includes representatives of numerous dairy cooperatives and organizations, including the Wisconsin National Farmers Organization, Wisconsin Farm Bureau, Alto Dairy, AMPI North Central, Ellsworth Co-op, Farmers Union Milk Marketing Co-op, Manitowish Milk Producers, Milwaukee Milk Producers, Minnesota Milk Producers, Swiss Valley Farms, Tri-State Milk Co-op, Foremost Cheese Makers, Wisconsin Federation of Cooperatives, and state departments of agriculture in Wisconsin and Minnesota.

See Judge on Page 2A

U. S. Dairy Farming Will Face A New Challenge
BFP lower, due to a higher
r-fat differential being used to
st the base price down to a
percent butterfat basis.
ection, the October butterfat
rential will be used to calcu-
the October 3.5 base month
e and therefore won't affect
3FP until November.

Adding more downward pres-
is the fact that fat tests are
ling up, seasonally, at the same
the differential is going up.

n response to a Sept. 3 hear-
the California Department of
d and Agriculture says it will
e no changes in its powder
ing formula and only minor
nges in cheese pricing. The
ision was called a "victory for
cessors and a blow to
ifornia producer groups and
eral order organizations,"
rds Dairy Profit Weekly.

University of Wisconsin-
dison's Robert Cropp says the
ision "increases the likelihood
USDA's replacement for the
P will be more closely aligned
h California's system by using
duct price formulas or possi-
component pricing." That
ans milk prices will be no
her for federal order produc-
and possibly lower, he said.

The decision may incite
ifornia producers to join the fed-
l order, he said, but to do so now

The Country Today • Wednesday, Nov. 12, 1997

MARKETS

Clarification of federal ruling needed

By Lee Mielke

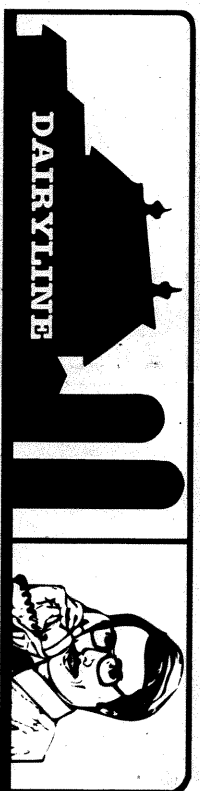
In a stunning move that's
become THE topic of the week, a
U.S. District Court judge has
declared illegal a 60-year-old pro-
vision of the federal order milk
pricing system.

The decision stems from a
1989 challenge by the Minnesota
Milk Producers Association, who
charged that USDA's Class I pri-
cing differentials discriminate
against Midwest milk producers
by basing the amount of the dif-
ferential on the distance from Eau
Claire, Wis.

U.S. District Judge David Doty
ruled that Agriculture Secretary
Dan Glickman failed to adequately
justify using Eau Claire as the base
point. The judgment is not against
all orders, only those with a Class I
utilization below 60 percent.
There's only about eight of them,
according to Ed Coughlin of the
National Milk Producers
Federation, and the ruling says they
have to rely on supplemental milk
supplies from the Upper Midwest.

Dairy Profit Weekly's Ed
Clark says we don't know what
the ruling means. Does it mean
Judge Doty will stop USDA from
operating the congressionally
mandated market orders? Is HE
going to collect the monies, or
will he wait to see what USDA
has in its reform proposal?

Mr. Coughlin warns that the
agriculture secretary could throw
out the entire federal order pro-
gram. As we write, we could not



would be "buying a pig in a poke."

"You don't know what the
federal system is going to turn out
to be," said Jim Tillison, execu-
tive director of the alliance of
Western Milk Producers. USDA's
BFP committee said there was a
lot of interest in California's sys-
tem, according to Mr. Tillison,
and "I think we could see a feder-
al system that mirrors how
California calculates prices."

One of the cooperatives that
has to compete with California's
system is Seattle-based Darigold
Farms. Darigold's Dan McBride
testified at the CDEFA hearing and
said California processors pay
more than a dollar per hundred-
weight less for milk than
Darigold, equating to 7 to 15
cents on a pound of cheese.

In yet another industry issue,
the International Dairy Foods
Association's Susan Rutland took
up the topic of forward contract-
ing of milk in her monthly radio
broadcast. She said while price

volatility is a new reality in the
dairy business, we can learn to
manage it as other agricultural
commodities do.

"By its very nature, price
volatility allows for higher prices
as well as lower prices, depending
on the market," Ms. Rutland said.
"We're not talking about lower
prices, we're talking about the
need for better management."

She said processors seek a vol-
untary system to contract with
producers, as a way to "manage
that volatility better."

"I can't really see any justifica-
tion for why the co-ops would be
opposed to forward contracting,
other than the fact that they them-
selves are exempt from paying the
minimum price and perhaps they
don't want proprietary dairy com-
panies to have that same flexibili-
ty," Ms. Rutland said.

A good example of how this
works, she said, is Dean Foods, a
fluid processor that also markets
frozen vegetables. The prices

Dean Foods pays for vegetables
are not set by the government, she
said, and Dean pays suppliers,
based on competitive factors. If
forward contracts its purchases so
growers know what and how
much to plant and harvest, and
what prices they'll be receiving.
Processors know what their costs
will be and how competitive they
can be on the finished product.

But NMPF's Ed Coughlin
counters "the whole concept of
minimum prices is the founder
that undergirds the whole federa-
order system." Cooperatives are
owned by producers, he said, so
"it's the producers themselves that
aren't paying themselves" if prices
are below federal minimums. A
proprietary plant that doesn't pay a
least the minimum price, is "a
whole different ball game," he said.
NMPF is concerned producer
might "undercut the price in order
to gain a market," he said. "If the
forward contracts were tied to
some way to the futures contracts
the trade on the market would pro-
vide some degree of protection."

We want something that "does
n't cut totally loose and say a pro-
ducer can abdicate away, or through
a contract, give away the right to
minimum pricing," he said.

REGIONAL

INSIDE THIS SECTION
 Mayor quits B-2
 Entertainment B-5
 Comics B-6

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11 WEDNESDAY, NOVEMBER 5, 1997

Fairness sought in new dairy bill

By Bob Vitale

Post-Crescent Washington bureau

WASHINGTON — As he nears a decision on the shape federal milk-pricing reforms will take over the next year, Agriculture Secretary Dan Glickman received an earful Tuesday from Sens. Herb Kohl and Russ Feingold.

The Wisconsin Democrats, along with Minnesota Sens. Paul Wellstone and Rod Grams, met with Glickman to spell out the case for changes they say can save a declining dairy industry in the Upper Midwest.

"He has a choice in the next few weeks to give our dairy farmers

Kohl, Feingold plead case for state's farmers with ag secretary

some fairness," said Feingold, who hosted the meeting in his Capitol Hill office. "The interference of the federal government has been a big part in the loss of some 20,000 dairy farms alone."

Glickman is expected by year's end to settle on one of six options for changing a national system known as milk marketing orders, through which the federal government sets the prices dairy farmers around the country receive for their milk.

The 60-year-old system currently uses Eau Claire as ground zero in the pricing setup, meaning farmers

in Wisconsin and Minnesota receive some of the lowest milk prices in the country.

Changes were ordered as part of the 1996 Farm Bill, but Congress left the real decisions up to Glickman when deep and longstanding divisions in the U.S. dairy industry prevented any compromise on the shape they should take.

Under one of the proposed plans, Eau Claire-based pricing would be replaced with a flat rate nationwide. Others would lessen the current differentials or replace them with rates based on how milk is used.

The senators argued for a plan combining the Upper Midwest with regions of the country where more milk is sold for bottling and farmers receive higher prices.

They argued against an option that would make the gap in prices worse for Wisconsin and Minnesota farmers.

Mostly, they said, they argued for fairness, a goal Glickman has said repeatedly that he shares.

"Dairy farmers in Wisconsin and across the Upper Midwest are right to demand that they be allowed to compete in a fair business environment," Kohl said.

"They aren't asking for special consideration. They have suffered from an outdated and unfair milk market order system and they deserve national dairy policy that gives them equal footing with farmers in other states."

But while the four senators urged Glickman to avoid what Kohl called "regional political interests" in settling on a reform option, those from other parts of the country have applied the same label to Wisconsin concerns.

In a congressional hearing earlier this year to review the milk-pricing plans, farmers from New Eng-

land and the South urged that the current system be preserved, while those from the West asked that their higher production costs be recognized.

"He's heard our plea," Feingold concluded after Tuesday's meeting with Glickman. "He's heard pleas from other parts of the country."

After Glickman releases his decision, public comments on the plan will be accepted and any changes will be made in it by the fall of 1998.

The Agriculture Department has said it plans to implement its final reform plan by the start of 1999, three months before the deadline imposed by Congress last year.

WISCONSIN

B-2
MONDAY, DECEMBER 8, 1997

November dairy price up significantly

State farmers get \$1.35 more per hundred pounds than a year ago

MADISON (AP) — November was a good month for Wisconsin dairy farmers, a state agency says.

The price Wisconsin farmers get for their milk climbed for November and is significantly higher than a year ago, the Wisconsin Agricultural Statistics Service reported.

The Basic Formula Price for November milk is \$12.96 per hundred pounds, up 13 cents from October and \$1.35 above November 1996.

Higher block cheddar cheese prices on the Chicago Mercantile Exchange is one reason for the increase, experts said.

"There is a lot more positive

news than negative news in this basic formula price," said Ed Jesse, a UW-Madison dairy specialist.

The basic formula price, determined monthly by the USDA, is just one measurement of farm milk prices. Farmers also receive premiums for milk quality and quantity.

The price clearly has peaked for the year and could fall substantially in December, Jesse said.

Still, the increase was welcomed by farmers who have watched monthly price drops this year.

"It's good news, and the amount of the increase is somewhat of a

surprise," said Carl Theunis, a Brown County dairy farmer.

The news comes as a federal judge delayed implementing a decision abolishing the current milk pricing system.

The USDA asked for the delay while it appeals Minneapolis Judge David Doty's decision. It contended Doty's order would lead to chaos if it took effect before a new system was created.

Last month Doty sided with midwest dairy farmers who said the current milk pricing system was unfair.

Doty on Friday agreed to give the USDA until Feb. 15 to dismantle the 60-year-old system, allowing time for its defenders to challenge his ruling.

The USDA had asked for the delay while it appeals Doty's decision. It contended Doty's order would lead to chaos if it took effect before a new system was created.

But Wisconsin congressmen say the government shouldn't use the delay to avoid creating a new pricing formula.

"The standard operating procedure for USDA on this case has

been to seek delay and after delay," Sen. Russell D. Feingold, D-Wis., said, in a statement.

Feingold said he hopes the postponement "is simply to allow the USDA time to implement a new milk-pricing system and to ensure that farmers are paid in the interim."

A statement by Sen. Herbert H. Kohl, D-Wis., said the department has a responsibility to write a new formula and that he will urge Agriculture Secretary Dan Glickman "not to delay implementing this new system by engaging in legal maneuvering."

State Senate fails to vote on milk-pricing resolution

Scott Schultz

Staff Editor

ADISON — Attempts to support for a state Senate resolution to back up a federal ruling against the federal milk-pricing system failed 19 when the resolution's sponsor wasn't recognized for state leadership.

A similar resolution had passed, 96-0, a day earlier by the Wisconsin Assembly. The resolutions were introduced by Assembly Representative Bill Clinton, U.S. culture Secretary Dan Claitor and the state's congress-

sional delegation to support a court ruling that ends using Eau Claire as a starting point for Class I milk-pricing.

State Sen. Dave Zien, R-Eau Claire, yelled, waved his hands and whistled in attempts to be recognized and gain a vote on the resolution on the final day of Senate floor debate for the 1997 session.

"I don't know if they were playing partisan games or were just lazy, but this was a kick in the teeth to our dairy farmers," Sen. Zien said. "It's bad enough when the federal government ignores

the suffering of our dairy industry, but it's appalling to see from our own Democratic senators."

However, Sen. Zien's actions were passed off by a top Senate aide as "grandstanding" on Sen. Zien's part. Doug Burnett, chief of staff for Senate Majority Leader Chuck Chvala, D-Madison, said the Senate shouldn't worry about federal issues.

Mr. Burnett said that for state legislators to claim that their efforts would have an effect on the federal milk-pricing system "is dishonest to the dairy farmers who deserve a fair price for

their product."

State residents have a congressional delegation to handle federal issues, he said.

However, he added, the resolution — which had sponsors including Sen. Alice Clausing, D-Menomonie — is in the Senate's Scheduling Committee and he wouldn't rule out seeing the resolution being considered on the Senate floor.

"We just wanted to take things up at the end of the session that would have an impact on Wisconsin," Mr. Burnett said.

Sen. Zien said the resolution could have an impact on the future of the pricing system by a show of support from Wisconsin's leaders. State leaders in other parts of the country that are affected by the judge's decision are voicing their support for overturning the decision.

Waiting for the resolution to leave the Scheduling Committee for consideration in the Senate's January session would reduce its effectiveness, Sen. Zien said. Decisions are likely to have been made on the ruling by then, he said.

Milk Money

Set Bossie free!

By Brian Doherty

Federal regulation of the milk industry is a fine example of madly complex modern bureaucracy. It divides the nation into 32 "marketing areas," with prices and subsidies that vary depending upon the use of the milk (fluid, cheese, butter) and—believe it or not—the distance between the cow and Eau Claire, Wisconsin.

In early November, U.S. District Judge David Doty struck a blow for dairy sanity by declaring aspects of the price control system "arbitrary and capricious." The ruling came in response to a lawsuit by dairy farmers from the upper Midwest, who live close to Eau Claire and resent the higher minimum prices enjoyed by more distant farmers.

Milk price controls and marketing orders, which date back to the New Deal, illustrate what happens when the pragmatic, reform-minded spirit of progressivism hits the trading floor where political favors are exchanged for cash. The logic or ideology behind federal milk policy is expressed only in the vague language of "fair prices." In this context, that means whatever prices keep the greatest number of cartelized farmers solvent.

This concept of fairness implies that every American deserves whatever can be squeezed out of his fellow citizens via the government. As tax consumers, most Americans doubtless believe this; as taxpayers, they don't. But the cost in terms of higher milk prices and bureaucratic payroll is so diffused that it's nobody's prime political concern.

One interest group that should care about this program is the good-government crowd pushing campaign finance reform. In addition to its other flaws, federal milk policy has long been rich loam for political corruption.

In the newly released White House tape transcripts, Richard Nixon and Treasury Secretary John Connally candidly discuss expected contributions from dairy

interests. It's hard to distinguish these donations from outright bribery: The farmers gave Nixon big bucks, and Nixon made sure the federal price subsidy went up.

Post-Watergate reforms have not changed the situation much. In 1974, the year the Federal Election Campaign Act passed, dairy interests gave only \$100,000 for congressional races; in 1976, they gave \$1.4 million. The dairy lobby overwhelmingly prefers incumbents, who are aided by reforms that have made it tougher for challengers to raise money. A December 1997 *Money* magazine analysis showed that dairy interests gave \$2 million during the 1995–96 election cycle, getting \$1.3 billion in price supports for their investment.

In a conversation with dairy lobbyists, Nixon bluntly spelled out a point that campaign finance reformers still don't grasp. "I know you are a group that are [sic] politically very conscious," he said. "Not in any partisan sense, but that you realize that what happens in Washington, not only affecting your business, but affecting the economy... affects you.... A lot of businessmen... that I get around this table, they'll yammer and talk a lot but they don't do anything about it. And you do, and I appreciate that."

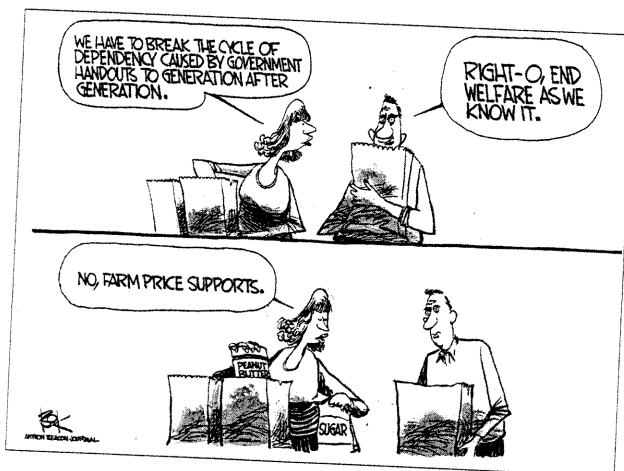
Political corruption follows political power. Dairy interests would be a lot less civic-minded if lucrative payoffs weren't in the offing, because in the long run fed-

eral controls and subsidies are bad for the milk market. Government's market manipulations can't hold back the technological and systemic changes that make jobs we get really good at, such as farming, rapidly dwindle. Government-backed regional cartels, for example, are senseless in an era of efficient storage and transportation that could easily allow one productive dairy region to supply the whole nation.

Even with federal protections for milk producers, over the past decade alone their number has dropped by 44 percent. In the face of inevitable economic change, dairy farmers seem unable to cope. Wisconsin's senators, Russell Feingold and Herbert Kohl, recently lamented in the *Wisconsin State Journal* that other farmers "have tools such as crop insurance, high volume futures markets and, in some cases, revenue insurance to help them manage price and production risk. These tools, if they are available at all to dairy farmers, are still in a fledgling stage." Dairy farmers haven't developed such tools because they haven't had to. Political clout rather than attention to markets has protected their bottom line.

In the wake of Judge Doty's decision, the Department of Agriculture begged for a stay as it scrambled to meet a year-end deadline to reconfigure the milk pricing system. Huge milk cooperatives are merging into even huger ones for economies of scale. And various multi-state cartels are forming, trying to emulate the new Northeast Interstate Dairy Compact in locking out extraregional milk and guaranteeing that even absent the federal rules, regional consumers will pay more for milk than is necessary or sensible.

Dairy price supports will be phased out by 2000, thanks to the 1996 farm bill. But throwing programs that were ill-conceived and illegitimate to begin with out of the federal realm and into regionalized cartels is no improvement. As states and localities step forward to shoulder formerly federal burdens, they need to ask not just who should manage a given program but whether it should exist at all. For now, regional cartels seem prepared to make sure that famous milk moustache continues to hide the sly grin of agribusiness as it milks the public.



State officials argue against minimum for milk prices

Federal floor price could cut income here

By Bob Vitale

Post-Crescent Washington bureau
2/19/98

WASHINGTON — Wisconsin officials are sounding off this week against plans to guarantee a minimum price for fluid milk while U.S. Agriculture Secretary Dan Glickman ponders more permanent changes in the federal dairy program.

They contend a plan that assures a floor price for fluid milk — the kind that's bottled and sold for drinking — could send prices downward in Wisconsin, where most of the milk produced is used for cheese.

State Agriculture Secretary Ben Brancel argued against the proposal Wednesday at a national hearing hosted by the U.S. Department of Agriculture. The floor-price plan was offered by Glickman last month as he put forward two options for permanent reforms scheduled to be in place by April

said Brancel, who's also a former Assembly speaker from Endeavor. "I speak from experience, and I speak from the heart. I am telling you this will hurt us."

The temporary floor price — \$13.50 for every 100 pounds sold, an increase of up to \$1.20 from current rates — is designed to offer price stability to farmers during the reform process. Glickman also has promised special assistance to any farmers hurt by the changes after they're implemented next year.

But the temporary price floor could harm Wisconsin farmers more in the short-term.

Officials worry that a guaranteed price for fluid milk and another class that's used for yogurt and ice cream could stimulate overproduction and send the excess into the market for cheese. Milk prices in that category already are lower, and a glut in the market would undercut prices even more because they wouldn't be propped up by temporary measures.

Even though milk prices for all categories are pooled and distributed to farmers regionally, the overall effect of higher fluid and lower cheese prices would mean little or no price increase for Upper Midwest farmers. Region-wide, more than 80% of milk produced is used to make cheese.

"The proposal is clearly discriminatory to the producers of our region," Wisconsin Sens. Herb Kohl and Russ Feingold wrote in a

Please see **MILK**, B-3

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B-1 ■ WEDNESDAY, APRIL 1, 1998

REGIONAL

INSIDE THIS SECTION
Higher utility bills...B-2
Pahlke charged.....B-3
Border talkB-4

Status quo impedes milk pricing reform

By Bob Vitale
Post-Crescent Washington bureau

WASHINGTON - Agriculture Secretary Dan Glickman has repeatedly expressed his preference for dairy reforms considered favorable to Wisconsin, but the state's two senators cautioned Tuesday that political pressures could pull him in another direction.

"Until it happens you never know," Sen. Herb Kohl told Wisconsin Farm Bureau members visiting Washington for meetings with lawmakers and agriculture officials. "A lot more people want to keep (dairy policy) as it is than want to change it."

Glickman is considering two options for changes in the federal milk-pricing system, which were ordered but not specified by Congress in the 1996 Farm Bill. The first, known as Option 1A, would do little to change the current way of setting milk prices, which is blamed for decades of decline in Wisconsin's dairy industry. The second, Option 1B, would introduce market factors that experts say would boost farm income in the state.

Neither, USDA contends, would significantly increase milk and dairy prices for consumers.

"We're pretty together on this issue," Fond du Lac County farmer Bill Bruins told Kohl, who also supports the second

option for reform. "We really think that moving away from government control is the right direction."

Glickman has said the same thing for more than a year now, and both he and other top USDA officials have identified Option 1B as their preferred direction for federal dairy policy.

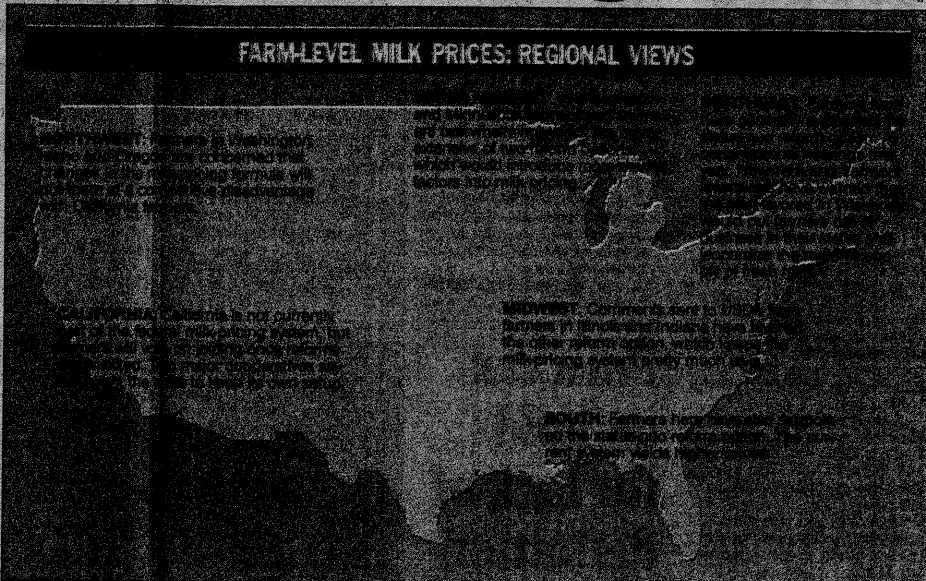
Lawmakers from the Northeast and South, however, have warned that their regions would suffer under the plan. At a House hearing last week on the issue, two high-ranking Republicans - Rules Committee chairman Gerald Solomon of New York and Appropriations Committee chairman Bob Livingston of Louisiana - argued in favor of the status-quo option.

"He's under a lot of pressure," Sen. Russ Feingold said of Glickman. "But he's listened better than (former Agriculture Secretary Mike Espy) did. He's listened better than some of the ones that we've had before."

Feingold and Kohl, however, said they're still optimistic that the reforms scheduled to be in place by April 1999 will help Wisconsin. Farmers said they are, too, even though they expect a compromise that would water down the plan they prefer.

"A little bit is better than nothing," said Gary Kohn, who milks 60 cows on a dairy farm near Medford.

FARM-LEVEL MILK PRICES: REGIONAL VIEWS



Nearly 300 people attend meeting to express how Wisconsin's Depression-era milk pricing system is hurting the state's farmers

Paying the price

By Dan Wilson

Post-Crescent staff writer

GREEN BAY — The Depression-era system used to price milk came under almost universal attack from the nearly 300 people at a listening session here Tuesday to gauge support for proposed changes in the federal milk marketing order system.

The orders, used to determine the price of fluid milk, pay dairy producers a higher price the farther they are from Eau Claire.

The system was designed to encourage production in milk-poor areas of the South and West. Since that time those areas have become milk-rich and the milk order system has become politically entrenched.

Gov. Tommy Thompson was among more than 70 people who spoke out against the milk marketing order setup.

"Stop making empty promises to these farmers out here and start making

some meaningful reform," he said.

"For the past 61 years the Class I pricing provisions have paid dairy farmers more for their milk the farther they live from Eau Claire, Wisconsin. How stupid. I have often compared this nonsensical system to charging higher prices for movie tickets the farther the theater is from Hollywood. Perhaps what we should do is base salaries in this country based on the distance one lives from Washington, D.C."

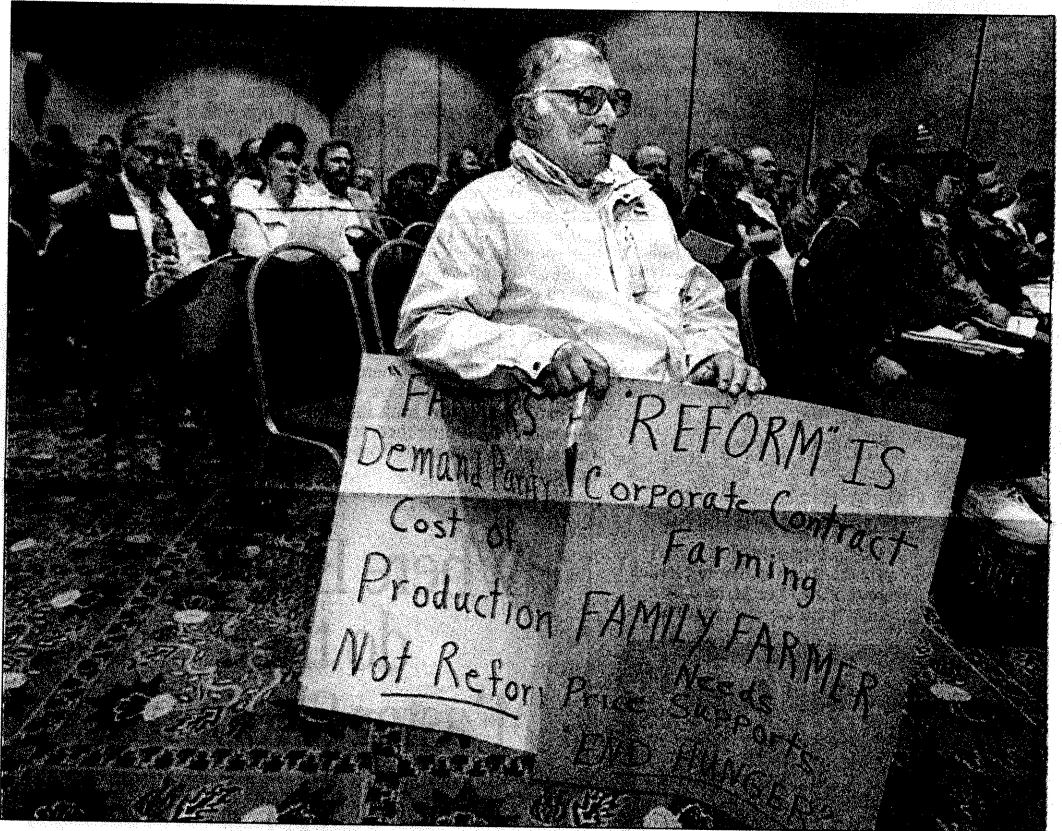
Farmers, dairy industry experts and processors all spoke of an order system which has created a monster of milk production in the South and West.

Wisconsin has already lost its standing as the nation's top milk-producing state to California, and the gap is widening every year.

"Excessive milk production in the South and West caused by Class I differentials is threatening our economic survival," said Ron Brown, a Marathon County farmer.

inside
Regional
interests
impede pricing reform:
please see
Page B-1

Please see **MILK**, BACK PAGE



JAMES HAHN, left, acting market administrator for Chicago Regional & Indiana Marketing Areas, listens to Dick Lamers of Lamers Dairy Inc., in Kimberly at Tuesday's session in Green Bay. Above, Campbellsport dairy farmer Arnold Gudex expresses his views on a pair of signs.

Pricing issue not so black and white



Post-Crescent photos by Sharon Cekada

By Dan Wilson
Post-Crescent staff writer

GREEN BAY — To hear the testimony here on the proposed milk order system changes, it would appear Wisconsin farmers are on the verge of going out of business while watching their dairy farmer neighbors in the South and West get rich at their expense.

But what are the realities? Do farmers in other areas of the country get paid more for their milk?

Not necessarily.

Please see **PRICING**, A-7

Milk: Dozens turn out to protest the 1930s pricing system

From A-1

"We are going to keep losing our family farms to the factory farms in the Sun Belt. I want my son Doug to succeed or fail in the dairy business based on his dairy management ability and not based on what order he is in," he said.

Dick Lamers, of Lamers Dairy, Kimberly, said the present system also penalizes processors, who are unable to take advantage of the free market. Fluid milk handlers don't understand why they should pay more for the same milk which goes to cheese plants.

"In 1996 and 1997 the manufacturing market has demonstrated it had the ability to raise the milk prices as demand goes up. The establishment of Class I differentials is arbitrary and capricious," he

said.

Lamers said that while he buys fluid milk and must pay the higher price, the benefits do not go to his producers. Instead, they go to all producers, even if they are selling a lower grade milk, because milk prices are "blended."

"The problem is they use artificially high Class I prices by taking money from the fluid handlers. The manufacturers are paying for milk by taking money from the fluid milk market," he said.

"What they should do is simply publish the mailbox prices of milk for producers and handlers."

John Umhoefer, speaking on behalf of the Wisconsin Cheesemakers Association, took aim at the California market.

"Equity with California must be the overriding consideration. Cali-

ornia has created a market-dominating cheese price," he said.

Stewart Huber, a Clintonville dairy farmer and board member of the Farmers Union Milk Marketing Cooperative, said whatever change is made will have to expand the geographic size of the upper Midwest order to ensure a better mix in the "blend" price.

Presently, only 20% of upper Midwest milk goes into the fluid milk market, so farmers only get paid based on that ratio. A larger order area, perhaps including Chicago, could increase that ratio to 30%.

"Otherwise we will become a have-not island surrounded by orders with large Class I utilization," he said.

Ben Brancel, secretary of the state Department of Agriculture,

Trade and Consumer Protection, said the odds of getting a meaningful change in the order system are still long, based on political realities.

"Agriculture Secretary Dan Glickman has said he prefers the I-B option (which would flatten the present price differentials) and if he sticks to his word we have a chance. But it's an uphill, battle based on testimony I have heard from around the U.S."

However, said Brancel, the huge turnout at the Green Bay session — about 300 people attended — is bound to have an effect.

"This has got to send a message to Washington that in Wisconsin dairying is serious business. And if you don't make the effort, you won't make the changes."

Dairy farmers will wait and see

Milk ruling heralded; no price increase seen

By Dan Wilson

Post-Crescent staff writer

Although farmers and farm organizations are delighted with a Minnesota judge's ruling abandoning the price differentials for fluid milk, they are realistic enough to know it may not show up on the bottom line.

"The change doesn't mean we are going to get substantial increases in prices, but it will create a more level playing field," said dairy farm economist Robert Cropp.

"I heard the news, but I really don't think you are going to see much happen," said Ron Brooks, who milks 180 cows just south

milk.

The system, created in the 1930s, was crafted to encourage areas outside of Wisconsin to produce more milk, which it has been successful in doing.

Farmers in Wisconsin, who ship most of their milk to cheese plants, initially saw little effect from the differentials.

However, the overproduction in those areas has been turning up in Upper Midwest cheese vats, and it has had a depressing effect on cheese prices.

Farmers in those outlying areas have to pay for those shipping charges and ultimately, the prices they receive have not been much greater than those received by Wisconsin farmers. Essentially, market forces have negated the effects of the milk market order system.

ANALYSIS

of Waupaca.

"I think (dairy economist) Ed Jesse was right, that it's a positive step. Until I see it in the mailbox price, I won't believe it."

U.S. District Court Judge David Doty, in Minneapolis, ordered the U.S. Department of Agriculture to discontinue the price differentials that reward farmers the farther they are from Eau Claire, saying it is "arbitrary and capricious."

For every 100 miles from Eau Claire, farmers are paid an additional 20 cents per hundredweight for their fluid milk. For example, a producer in Miami, Fla., receives an additional \$4 per hundred pounds of

At the same time, the milk order system was buttressed by politics. The Upper Midwest was always outnumbered in Congress by those who benefited from the system.

"We are driven by cheese," said Cropp, "and when production expands in other areas it means our cheese prices and milk prices will be lower here."

The milk pricing system is a complex structure that is further complicated by the 32 milk marketing orders.

Milk is then classified by its usage. Class I is fluid milk, used in bottling, and is the class subjected to the price differential.

The orders break up the country into 32 districts, but not all areas, such as California, are included in the milk order system.

Please see **MILK**, B-3

MILK: Dairy farmers are taking a cautious attitude about judge's ruling

From B-1

The varying prices and movement of milk creates distortions in the market which economists have argued would be alleviated by fewer orders or elimination of the differentials.

Farmers often refer to the "mailbox price" — what they actually receive for their milk after premiums are added on and deductions are taken off. Based on "mailbox" prices, Upper Midwest farmers fare pretty well overall when compared

to other parts of the country.

Under current legislation, the milk order system is undergoing an overhaul. The USDA and its secretary, Dan Glickman, are under orders to present a new milk pricing system, which is due out in December.

The Farmers Union Milk Marketing Cooperative, which represents 8,000 Upper Midwest farmers, has made the price differentials the primary target of its lobbying efforts for several years.

"Judge Doty's decision further

confirms what we've known for years — that the current system is unfair and inequitable to dairy farmers in the Upper Midwest. The status quo is unacceptable and must be changed,"

said David Livingston, chairman of the FUMMC board of directors. "It should help us break the huge



GLICKMAN

logium which has held up real reform so far. Secretary Glickman is obligated to fully recognize the federal court's ruling when he comes out with a proposed rule on reforming milk orders later this year," he said.

"Instead of using Eau Claire as the basing point for fluid milk prices, Class I differentials should be as uniform as possible across the nation."

The Wisconsin Farm Bureau and its president, Dan Poulson, also see this ruling as the dawn of a

new age in dairy reform.

"Hopefully, this is a wakeup call to the U.S. Department of Agriculture to establish dairy policy on sound economics, instead of on influential political pressure," Poulson said.

"The federal judge recognized what Wisconsin dairy farmers have been saying all along — the federal milk marketing order system is not fair, it is not based on good economics and it is not good policy."

No big milk overhaul expected

USDA to announce today replacement of pricing system many call unfair

By MEG JONES
of the Journal Sentinel staff

Wisconsin farm officials aren't holding out much hope that the nation's 60-year-old system of milk pricing will be drastically changed when the U.S. Department of Agriculture today announces its overhaul of the system.

"I think we're probably

going to see the status quo win out on this thing," said Tom Thieding, spokesman for the Wisconsin Farm Bureau Federation.

The USDA is expected to announce a replacement federal milk pricing system today in Washington, D.C. The current system is one that Upper Midwest dairy farmers argue leaves them with unfairly low prices compared with those of other regions.

Details have not been made public, nor have Wisconsin officials been cited in. It is reported to total 1,600 pages,

which would be the lengthiest dairy regulation in USDA history.

Ben Brancel, head of the state Department of Agriculture, Trade and Consumer Protection, said he's worried that U.S. Agriculture Secretary Dan Glickman will not go far enough to even dairy pricing because of pressure by dairy farmers in other areas of the country, particularly in the Northeast.

"Congress has said he has had to come up with consolidated (milk marketing) orders but he may still have price

differentials, and they may still be established on some arcane system of pricings," Brancel said in a phone interview Thursday.

The pricing system was started in 1937 to promote dairy production in other areas of the country besides the upper Midwest. That was before refrigerated trucks could carry Midwestern milk quickly and easily to any place in the nation.

Because farmers are paid more for their milk the farther they are from Eau Claire, farmers in Florida and New

Mexico earn substantially more for their milk than Wisconsin farmers.

Gov. Tommy Thompson also expressed his reservations Thursday that the new federal milk pricing system would treat Wisconsin dairy farmers fairly.

"I hope it's fair to Wisconsin farmers," Thompson said. "I, of course, don't have much confidence in the U.S. Department of Agriculture in Washington, D.C., these days. But let's hope for once that

Please see MILK page 6

Thieding, the Farm Bureau spokesman.

ent way to price milk, said is foot-dragging by federal officials in coming up with a different way to price milk, said

laughingly said it must be a document," Brancel said. "I (leased today) is a very extensive going. The document (to be reviewed) department to give us a sense of the direction they're

we're not getting any kind of information out of the (Agriculture) department to give us a sense of the direction they're going. The document (to be reviewed today) is a very extensive document," Brancel said. "I

agriculture department's chief dairy expert, Bill Oemichen, to the nation's capital for the USDA announcement.

Brancel sent the Wisconsin USDA is appealing the case. the Eau Claire rule, but the neapolis last fall struck down

A federal court ruling in Minneapolis," said the governor. farmers in Wisconsin equity they're going to treat the dairy

From page 1

Milk/Little change expected

Journal Sentinel reporter Richard Jones contributed to this report.

"We've had an agriculture department, regardless of the administration, that has been committed to making any changes, Thieding said Thursday. Wisconsin dairy farmers are very cynical that anything will be changed, and they're skeptical given the past history of the agriculture department's lack of desire to change the system." Congress ordered agriculture officials to consolidate the federal milk marketing order regions to no more than 13. Wisconsin is split into two of the regions. U.S. Sen. Russ Feingold (Wis.) said Thursday that he hopes the milk pricing system will be changed. "The unfair and outdated Eau Claire milk pricing system has long been in need of fundamental reform," Feingold said in a statement. "I hope we will make some progress in that direction."

Alto Dairy
Cooperative

AMPI North
Central Region

Ellsworth
Cooperative
Creamery

Farmers Union
Milk Marketing
Cooperative

First District
Association

Foremost Farms,
USA

Land O'Lakes

Manitowoc Milk
Producers

Midwest
Dairymen's
Company

Milwaukee Milk
Producers

Minnesota Dept.
of Agriculture

Minnesota Milk
Producers

National Farmers
Organization -
Wisconsin

Swiss Valley
Farms

Trade
Association of
Proprietary
Plants

Wisconsin
Cheese Makers
Association

Wisconsin Dept.
of Agriculture,
Trade and
Consumer
Protection

Wisconsin Farm
Bureau
Federation

Wisconsin
Federation of
Cooperatives

Upper Midwest Dairy Coalition

The Upper Midwest will lose its family dairy farms unless current federal order rules are fundamentally reformed. The status quo is unacceptable. The Eau Claire-based pricing system seriously threatens the ability of Midwest dairy farms to compete and survive. USDA must make the federal order system more equitable through the following reforms:

Class I Differentials

- Make Class I differentials much more uniform across the U.S.
- Flatten Class I differentials toward the proposal outlined as Option 4.
- Eliminate Eau Claire as the single basing point.
- Any lesser changes to differentials must include open and equitable pooling of producer milk across the system.
- Option 1A is status quo and is not acceptable.
- Class 1 price restructuring ensures price equity across the system.

Order Consolidation

- Increase Class I utilization in the Upper Midwest by creating the largest possible Upper Midwest order.
- USDA's preliminary and revised plans do not go far enough.
- Must include Kansas City, S. Illinois-E. Missouri along with Iowa, Chicago and Upper Midwest Orders.
- Consolidation ensures that all producers in a natural supply and sales area share equitably in higher-valued Class 1 sales.

Open Pooling

- Reduce current restrictions on pooling milk in orders and make rules much more uniform across the federal order system.
- Current order rules can be used to exclude outside milk from being pooled on an order.
- Reforms should eliminate restrictions and make pooling uniformly accessible across the system.
- Ensures that all producers are not restricted from sharing in pools if economic conditions warrant it.

Basic Formula Price

- Replace the Basic Formula Price with a method that surveys real-world competitive pay prices, including Grade A milk.
- Reforms must include replacing the BFP because of too little Grade B milk.
- Retaining the value of competition for farm milk among dairy plants is critical to farmers being assured a fair market price.
- Adding prices paid by dairy plants to farmers for Grade A milk used in manufacturing is the only viable way to retain the competitive value for milk at the farm level.
- Other alternatives, such as product price formulas, do not provide farmers with as high of a base price for milk.

*Alto Dairy
Cooperative*

*AMPI North
Central Region*

*Ellsworth
Cooperative
Creamery*

*Farmers Union
Milk Marketing
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*First District
Association*

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Land O'Lakes

*Manitowoc Milk
Producers*

*Midwest
Dairymen's
Company*

*Milwaukee Milk
Producers*

*Minnesota Dept.
of Agriculture*

*Minnesota Milk
Producers*

*National Farmers
Organization -
Wisconsin*

*Swiss Valley
Farms*

*Trade
Association of
Proprietary
Plants*

*Wisconsin
Cheese Makers
Association*

*Wisconsin Dept.
of Agriculture,
Trade and
Consumer
Protection*

*Wisconsin Farm
Bureau
Federation*

*Wisconsin
Federation of
Cooperatives*

Upper Midwest Dairy Coalition

California

- Bring California into the federal order system.
- California's state pricing rules give their dairy plants a unique and unfair advantage relative to federal order dairy plants.
- Because of California's large milk production, their prices are negatively impacting dairy farmers elsewhere.
- They need to be strongly encouraged to join the federal order program or to align their own prices much more closely to federal orders.

Only these reforms can ensure the future economic viability of the 49,000 traditional family dairy farms of the Upper Midwest. These farms represent 39 percent of all U.S. dairy farms.

Talking Points on Class I Differentials Following Minnesota Decision

- This is a landmark decision that shows the Upper Midwest is on target in protesting the inequities of the current federal milk marketing order Class I pricing.
- Now maybe the Upper Midwest will get the attention it deserves from USDA to implement an economically sound and fair pricing system for all dairy farmers in the U.S.
- There may be an appeal, there may be pressure from other regions, but more importantly, there has been a shift in the dynamics of federal order reform, and that shift is in the direction of the Upper Midwest Dairy Coalition's proposal.
- This is not the time for guessing how this may play out in terms of milk prices. The bigger focus should be in how this can lend merit to our argument that the status quo is unacceptable.
- We need to use this event to our advantage in our ongoing push with USDA for price restructuring.
- We commend the Minnesota Milk Producers Association and the Farmers Legal Action for their persistence on this effort. Their tireless pursuit has resulted in a benefit to all dairy farmers in the Upper Midwest.

{ Dec. 3 } Dec. 4 }

Steve Swiggum
(MI → min. leader)

- When & what is Glickman going to come out
w/ something? Vital

- message in "Fairness" (visibility + power)
in mid-west
what is message?

- Press conference - Go to D.C.

What Dem's?

Gronemus

Skibalski

Clausing

Walt Hughes → How Wm WDC thinks about
this Ruling

- Glickman's Current Plans regarding Reforms
- How the Judicial Decision affects these reforms

* This order takes place w/ Nov. Milk.

Any ^{milk} order ~~that~~ area that ~~is not~~

Has a surplus of milk is not
Bound to the Federal differential