

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 06/23/00

BILL NO. MILK PRICES

SUBJECT _____

(NAME) Gregory Baska

(Street Address or Route Number) 950 Kingston Cir

(City and Zip Code) DUND PROAIRIE, WI

(Representing) _____

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.
Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 6-23-00

BILL NO. _____

SUBJECT _____

(NAME) Bill Grey

(Street Address or Route Number) 2132 CHY O

(City and Zip Code) Sturgeon Bay Wis 54235

(Representing) Dairy Farm - WFLK

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 6-23-00

BILL NO. _____

SUBJECT Dairy

(NAME) Janet Nelson

(Street Address or Route Number) 810 71st Ave

(City and Zip Code) Prague Farm WI 54962

(Representing) _____

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: June 23, 2000

BILL NO. _____
OR Low Milk Prices
SUBJECT _____

Paul Zimmerman
(NAME)
1212 Deming Way
(Street Address or Route Number)
Neubee WI 53705
(City and Zip Code)
Wisconsin Farm Bureau
(Representing)

Speaking in Favor:
Speaking Against:
Registering in Favor:
but not speaking:
Registering Against:
but not speaking:
Speaking for information only; Neither for nor against:

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P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 6/23/00

BILL NO. _____
OR _____
SUBJECT _____

Brad Barbara
(NAME)
456 Virginia Terrace
(Street Address or Route Number)
Madison WI 53705
(City and Zip Code)
WI-Madison, Agribusiness
(Representing)

Speaking in Favor:
Speaking Against:
Registering in Favor:
but not speaking:
Registering Against:
but not speaking:
Speaking for information only; Neither for nor against:

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State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 06/23/00

BILL NO. _____
OR _____
SUBJECT Senate George Hearing

Robert Cropp
(NAME)
222 Taylor Hall
(Street Address or Route Number)
Univ. of WI - Madison 53706
(City and Zip Code)
UW - Cooperative Extension
(Representing)

Speaking in Favor:
Speaking Against:
Registering in Favor:
but not speaking:
Registering Against:
but not speaking:
Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.
Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: June 23, 2004

BILL NO. _____
OR _____

SUBJECT _____

Gary Frank
(NAME)

5613 Stadelman Dr
(Street Address or Route Number)

Madison WI 53705
(City and Zip Code)

WW-Madison Center for Public Affairs
(Representing) Prof. Schiller

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

Please return this slip to a messenger **PROMPTLY**

Senate Sergeant-At-Arms
State Capitol - B35 South
P.O.Box 7882
Madison, WI 53707-7882

State Senator

**Margaret A. Farrow**

33rd District

June 22, 2000

Senator Charles Chvala
State Capitol, Room 211 South
HAND-DELIVERED

Dear Senator Chvala:

Recently I returned a Senate Organization ballot to your office that approved a Senate Committee on Judiciary and Consumer Affairs hearing in Eau Claire on dairy pricing. Although I voted to approve this hearing, I have several reservations about it.

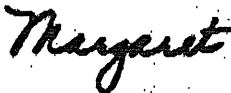
My first concern is one of timeliness in processing the request. Joint Rule 84 (1) states that the Committee on Senate Organization shall, in advance, approve all committee meetings held outside of the Capitol. You signed the ballot on Monday, June 12. The hearing notice was published in the Hearing Bulletin on June 13. Senators Risser and Moen signed the ballot on June 14 – the day after the hearing was noticed. Therefore, it would appear that the process outlined in Joint Rule 84 (1) was not followed.

I am also concerned that the public will be misled about the state's ability to affect the price of milk. The state has no direct control over dairy pricing. Therefore, I do not believe that holding this hearing in Eau Claire is a wise use of state dollars.

In addition, there appears to be no reason for the sergeant-at-arms staff to be present at a committee hearing where all the speakers are invited. The primary responsibility of these staff is to distribute and collect hearing slips from those wishing to testify. As noticed, testimony will heard from invited speakers only. Outside of setting up the meeting room and fetching coffee, the sergeant-at-arms staff will not be utilized to the extent to justify the expense of their overnight trip.

Although I did sign this particular ballot, I did so with considerable reservation. As a courtesy, I decided to share those reservations with you. It is my hope that the process outlined in Joint Rule 84 (1) will not be overlooked in the future and that all members will exercise fiscal restraint in requesting future committee hearings.

Sincerely,



Margaret A. Farrow
Assistant Republican Leader

cc: Senators Risser, Moen and Panzer

Rossmiller, Dan

From: DAVID BEGEL [dbegel@execpc.com]
Sent: Thursday, June 08, 2000 3:40 PM
To: Rossmiller, Dan
Subject: Re: dairy

Dan,

Some thoughts of participants for the hearing on dairy farmers:

Bob Cropp, University of Wisconsin-Madison, dairy specialist.

Bob Denman, Wisconsin Farmers Union, Chippewa Falls.

Bill Brey, President of Wisconsin Farmers Union, Chippewa Falls.
715-723-5561

Dennis Donohue, general manager of th Manitowoc Milk Producers cooperative.

Bruce Jones, Director of the Center for Dairy Profitability at UW Madison.

Larry Swain, UW River Falls, rural economist. Richard Gorder, Mineral Point dairy farmer and member of the board of the Wisconsin Farm Bureau Federation.

Joel Greeno, dairy farmer from Kendall, WI and president of the American Raw milk Producers Association.

Irv Possin, dairy and livestock agent for the Fond du Lac county UW-Extension office.

More coming

Dave



**WISCONSIN
FARMERS
UNION**



STATEMENT OF WILLIAM "BILL" BREY, president of Wisconsin Farmers Union,
to the Wisconsin State Senate Committee on the Judiciary and Consumer Affairs, meeting in Eau
Claire, WI, June 23, 2000.

My name is Bill Brey and I am a dairy farmer from Sturgeon Bay, WI where I own and operate an 90 cow dairy herd and farm about 640 acres with my wife and sons and daughters. I also serve as president of the Wisconsin Farmers Union, a position I have held for the past five years.

On behalf of the Wisconsin Farmers Union I want to commend Chairman George and the other Senators present for holding this hearing here in Eau Claire on the Wisconsin dairy industry and what can be done to get Wisconsin dairying growing again.

As you all are aware, we have seen a sharp decline in Wisconsin dairy farm numbers over the last 15 years. According to official government statistics, Wisconsin had 41,000 dairy farms in 1985 and that number dropped to 23,000 by 1998, the last year for which we have official statistics. Since that time, we have experienced a continued decline in dairy farm numbers and it appears the rate may be accelerating in response to the less than profitable returns producers have experienced for most months in the intervening two years.

While some of that precipitous drop in dairy farm numbers can be attributed to normal loss due to death and an aging farm population and another portion can be explained farmers being attracted to other types of farming endeavors for a variety of factors, much of the decline can be blamed on one clear fact. Most of them found dairy farming was not economically profitable under the changes in dairy policy that has taken place over those years.

The changes in federal dairy policy has ripped to shreds the safety net for dairy producers, allowing dairy prices to plummet in response to a flood of imports due to changing trade rules and the ratcheting down of federal support levels.

Both of those factors are the main reasons milk has fallen to below \$9.50 per cwt. and remained there for such a long period of time that some dairy producers have mounted an effort within the state to hold a milk strike on the 4th of July to demonstrate their frustration with the ongoing current situation.

One result is that we are here today holding hearing on what can we do to stop the decline of Wisconsin's dairy producers and get them growing again and other people are holding a variety of forums around the state with the same topic on the agenda.

Another result has been people within the industry and government engaging in a lot of finger pointing, blaming first one thing and then another for the price and income crisis gripping our nation's dairy producers. Some blame the outdated federal pricing system based out of this city of Eau Claire. Others point the finger at the Northeast Dairy Compact and efforts by other producers in other parts of the country trying to establish compacts for their producers. Other simply throw up their hands and say nothing can be done because the dairy industry is split apart into regional factions.

The problem is that they are all right to a degree, but there has been a vacuum of leadership in trying to bring all the various elements together to forge a solution to bring milk prices back up to levels where producers throughout the U.S. can receive a fair and profitable return for their work and endeavor.

That is why as president of the Wisconsin Farmers Union I have been working producers from all the regions concerned to fight against proposal to change the definition of milk and food identity standards in ways that would allow a further flood of imported products to replace milk produced in the U.S. under our rigid food safety standards.

That is why I have been working with those same producers from other regions to craft a proposal to repair the dairy safety net, and even met with the Governor of Vermont when he was in Wisconsin to speak at the State Democratic Convention, exploring with him ways in which could cooperate to rebuild a solid foundation for federal dairy policy.

We have seen some success with those efforts to date.

The food processing industry has backed off in part from its original proposal to change the definition of milk to allow both dried and fluid ultra-filtered milk to be used in the production of cheese, although their amended effort still would displace a lot of fluid milk produced by Wisconsin dairy farmers.

U.S. Reps, Dave Obey, Tammy Baldwin and others from Wisconsin have introduced H.R. 3864, which would help rebuild a dairy safety net for producers, and another bill that partially addresses the identity standards threat.

Recently, National Farmers Union President Leland Swenson also wrote a letter to President Bill Clinton, asking him to take a variety of steps to address the dairy crisis (a copy of that letter is attached).

Still, much remains to be done and we need to see stronger, more effective leadership demonstrated at the state level here in Wisconsin from the Governor's office on down.

The answer to getting the Wisconsin dairy industry growing again is simple. Restore profitability to Wisconsin dairy farmers ledgers and they will make the needed investments in their farms to grow and the dairy processing industry will have the milk they need to grow as well.

I again want to thank you for taking the time to hold this hearing and I stand ready to try to answer any questions you may have and expand on the points I have made in this written testimony.



**WISCONSIN
FARMERS
UNION**



June 15, 2000

The Honorable Herbert Kohl
U.S. Senate
330 Hart Senate Office Building
Washington, D.C. 20510

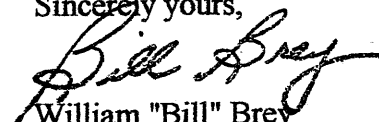
Dear Senator Kohl:

On behalf of the Wisconsin Farmers Union, I want to thank you for the special effort you made to secure the \$443 million in emergency funds for U.S. dairy producers in the appropriations measure reported out of the Senate Appropriations Committee.

Needless to say given the current milk price situation we are experiencing at the present time, the money is well needed by Wisconsin dairy producers. Once this measure works its way through the Congressional approval process and is signed into law, we would be appreciative if you could help make sure that the funds are distributed in a timely manner. To be truly useful, the funds need to reach farmers as soon as possible.

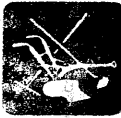
Once again, we want to thank you are all your efforts on this matter and other of importance to Wisconsin dairy producers and stand ready to be helpful in any way we can.

Sincerely yours,


William "Bill" Brey
President



**WISCONSIN
FARMERS
UNION**



May 22, 2000

The Honorable Dan Glickman
Secretary of Agriculture
United States Department of Agriculture
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Secretary:

On behalf of the members of the Wisconsin Farmers Union, I ask for your assistance in bolstering dairy prices. Specifically, I urge you to take immediate action to increase the amount of dairy products purchased by the U.S. government and to make advance purchases of dairy products for the school breakfast and lunch programs, as well as other nutrition programs.

With the class III price for milk at \$9.43 per cwt., dairy farmers across the country are experiencing extreme financial hardships. Unfortunately, the price is projected to remain at very low levels for the foreseeable future. Stepped-up nutrition purchases will help raise the price and help hasten a partial recovery.

As you know, additional action is still necessary to restore the safety net for dairy producers and to address structural problems. However, until those necessary changes can be implemented, immediate action is necessary to stem the losses.

Thank you for consideration of this urgent request.

Sincerely yours,

William "Bill" Brey
President

2 pages for tax
Denner

April 19, 2000

Dockets Management Branch (HFA-305)
Food and Drug Administration
Room 1061
5630 Fishers Lane
Rockville, MD 20852

RE: Response to Petition to Recognize Filtered Milk as a Form of Milk
Under the Standards of Identity for Cheese and Cheese Products

Dear Dockets Management Branch Administrator:

We are writing on behalf of the 300,000 members of the National Farmers Union to express our opposition to changing the definition of milk under 21 C.F.R. Sec. 133.3. The citizen petition filed with the U.S. Food and Drug Administration by the American Dairy Products Institute proposes changing the standard to allow the use of liquid ultra-filtered milk in cheese-making. The citizen petition filed on behalf of the National Cheese Institute, the Grocery Manufacturers of America, Inc., and the National Food Processors Association on Feb. 10, 2000, seeks to change the standard to allow the use of liquid and dry ultra-filtered milk in cheese-making.

We are vehemently opposed to allowing ultra-filtered milk, in the liquid or dry form, to be used as an ingredient in natural cheese and cheese products. The change would seriously compromise decades of work by the nation's dairy farmers.

We object to the citizen petitions for the following reasons:

1. As defined in Sec. 133.3, *milk means the lacteal secretion, practically free from colostrum, obtained by the complete milking of one or more healthy cows.* The definition includes *concentrated milk, reconstituted milk, and dry whole milk.* The processes of filtering and drying the milk changes the basic composition of the milk by removing lactose and minerals. We cannot allow one of the most wholesome and basic foods to be adulterated.
2. Using a cheese ingredient that is produced outside of the United States--dry or liquid ultra-filtered (UF) milk--will subject dairy products to increased vulnerability to contamination and compromise the sanitation, hygienic and phytosanitary standards that the U.S. has worked to develop.
3. UF milk in the dried form is not produced in the United States and neither dried or liquid UF milk is subject to the import quotas that regulate dairy product access to the U.S. market. Changing the product standards would result in UF milk displacing domestically-produced milk used for cheese production, a decrease in the prices paid to dairy farmers, and increased costs to the U.S. dairy program for purchases and inventory of dairy products.

4. U.S. dairy farmers have developed an identity for milk and dairy products as pure and wholesome in the eye of their ultimate user – the American consumer. The change of definition will allow the use of ultra-filtered (UF) milk, in liquid and dry forms, to be used in the manufacture of cheese and cheese products. Products made with UF milk should be labeled "imitation". Changing the product standard would be misleading to the consumer.

We urge you to deny both petitions.

Sincerely yours,

Leland Swenson
President, National Farmers Union

Bill Brey
President, Wisconsin Farmers Union

Joaquin Contente
President, California Farmers Union

David Frederickson
President, Minnesota Farmers Union

Robert Junk
President, Pennsylvania Farmers Union

Charlic Nash
President, Ohio Farmers Union

Wes Sims
President, Texas Farmers Union

FINAL

June 19, 2000

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the 300,000 members of the National Farmers Union, I write to request your assistance for our nation's family dairy farmers. As you know, the base price for dairy is at a 30-year low. Without immediate relief, family dairy farmers will be forced out of business.

I have outlined below five options that should be taken to provide immediate relief to family dairy farmers from the devastatingly low prices they receive for their dairy products.

1. Direct all government agencies that purchase dairy products for domestic and international nutritional and humanitarian programs to expedite normal procurement activities and increase purchases of dairy products. This would provide immediate price relief.
2. Direct the U.S. Department of Agriculture (USDA) to increase the Commodity Credit Corporation purchase price for cheese. Very few CCC purchases are being made under the current level established by USDA, even though the market price for milk used for cheese is well below the \$9.90 per hundredweight support price. A price adjustment is in order to ensure that producers receive the benefit of a reasonable level of price stability intended by the dairy support price.
3. Direct the Food and Drug Agency to investigate whether imported ultra-filtered (UF) milk concentrate is being used illegally as a cheese ingredient. Dry UF-milk protein concentrate, which is not produced in the United States, is not subject to dairy import quotas because it is not allowed under U.S. product standards to be used in cheese. However, import levels of UF milk protein concentrate have increased by sixfold over the past couple of years.
4. Support congressional efforts to provide emergency supplemental income payments for dairy farmers. The long-term solution to the economic crisis in production agriculture must include restoring an adequate safety net and ensuring fair, open and competitive markets for our nation's producers, including dairy farmers. However, until these steps can be accomplished, current economic conditions require emergency assistance.
5. Support congressional efforts to increase the dairy support price. A more reasonable support price would provide stability for family dairy farmers. It would be very helpful to have your support for legislation that would increase the dairy support price to at least \$12.50 per hundredweight.

Mr. President, thank you in advance for your prompt consideration of these measures to provide relief to America's family dairy farmers. Please let me know if I can provide additional information or can be of assistance.

Sincerely,

Leland Swenson
President

cc: Secretary of Agriculture Glickman
Senate Agriculture Committee Chairman Lugar
Senate Agriculture Committee Ranking Member Harkin
House Agriculture Committee Chairman Combest
House Agriculture Committee Ranking Member Stenholm



**WISCONSIN
FARMERS
UNION**



June 16, 2000

Mrs. Ilene Moos
Moos Farms
44 22 3/4 Street
Chetek, WI 54728

Dear Ilene:

I appreciate your sending me the materials concerning the possible milk strike that you and others are considering putting together for the 4th of July as one way of responding to the disastrous milk prices we have been experiencing down on the farm.

As a dairy producer myself, I share your deep frustration with the dairy policy in this country. That is why I have joined with other dairy producers within the Farmers Union in other states in putting together a consortium of dairy producers from around the country, including areas where Farmers Union is not so strong or even non-existent to fight for a better federal dairy policy and to stem the tide of imports which have caused much of the problem we are facing. We have found that dairy imports have increased over 300 per cent in the last two calendar years, displacing about 10 billion pounds of milk equivalent. At the present time, the U.S. Food and Drug Administration is considering a petition from the International Dairy Foods Association and others to change the definition of milk in a way that would result in a further flood of imports which will displace another 20 to 30 billion pounds of milk equivalent, if the petition is approved.

That is why we have put together the consortium of dairy farmers from across the U.S., including Louisiana, the Southeast dairy producers from Alabama and Georgia, Texas, California, Ohio, Pennsylvania and the states covered by the Northeast Dairy Compact, especially Vermont, to fight that battle and to work together for proposal for a higher safety net legislation at the federal level.

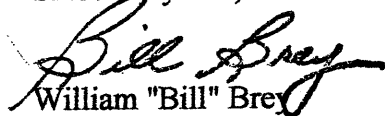
After considering a number of things we could do to address the low milk price condition we are suffering, we felt those would be better and more effective ways to achieve the outcome we all want -- higher prices for dairy producers.

While we share your frustration with the devastating prices we are receiving, the National Farmers Union and Wisconsin Farmers Union will not be participating in any form of milk strike because we think that may play into the hands of the opposition which claims current milk prices are solely caused by an oversupply of milk. We also fear a milk strike also may spark a backlash on the consumer end, which has been friendly to our plight to date, as the media portrays a milk

strike and dumping milk as victimizing children and other consumers. Also, I would hate to see dairy producers pour away a day's milk production, sacrificing even that day's income, when they are struggling for every dime they can get.

Thus, I hope that whatever efforts you engage in are well thought out and that whatever decision you make in regards to proceeding with a milk strike will help us in our effort to resolve the current situation placed upon us by industry groups such as IDFA.

Sincerely yours,

A handwritten signature in cursive script that reads "Bill Brey". The signature is written in dark ink and is positioned above the printed name.

William "Bill" Brey

President

June 20, 2000

Bill Brey
President WFU
117 West Spring Street
Chippewa Falls WI 54729

Dear Bill,

Thank you for your letter of response regarding the Milk Strike. We desperately hope that your endeavor to fight for better federal dairy policy and to stem the tide of imports coming into this country helps our low milk price.

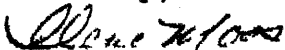
Last night's meeting was a very positive meeting of approximately 120 dairy producers. We understand that this must not become a negative action towards the consumers in any way. This action is to demonstrate solidarity between dairy producers and local unions who have suffered along with us regarding the China Trade Agreement.

The loss of farmers in our rural communities throughout the United States must be at least slowed as not to cause unchangeable devastating problems.

Once again I know you feel the frustration at times of hopelessness and low milk prices need to be kept in the lime light to direct change. As Senator Feingold said on our Rally for Rural America Demonstration, the squeaky wheel gets the grease. Well Bill, if we don't squeak loud enough this time there may not be any of us left to direct drastic change that is needed.

Please look at this action with a positive outlook. Our solidarity in wanting change remains the same. Our frustration in low milk prices, causing hurt to those we care about, remains the same. Direction be it not exactly the same but fighting for the same cause warrants understanding and prayers for all of our family farms.

Sincerely,



Ilene Moos
Chetek WI

cc: Carl Cronquest

P R E S S R E L E A S E

Due to a devastating low class III milk price of \$9.37, dairy farmers met in Tilden WI. Monday June 19 to organize a July 4 milk strike. Steve Siverling dairy farmer of Chippewa County directed the meeting with Paul Olson Jackson County dairy farmer and President of National Farmers Organization who spoke regarding the devastation in dairy and all commodities in this country.

The purpose of this meeting was to organize a nation wide milk strike on July 4. The objectives of this organized effort are:

1. An emergency \$13.50 class III floor price effective immediately.

2. A government mandated supply management system operable as of Jan. 2001 to include USDA cost of production.

3. A variable make allowance to all processors.

120 farmers were in attendance from as far away as Northern Indiana over 75% of the audience indicated that they would participate in this strike with further action to follow. Steve Siverling reported that the California Dairy Campaign was interested in supporting this action with other states coming on board as soon as possible.

Farmers will dispose of the July 4th production by on farm disposal or farmers will request area truckers to haul the days production to neighboring manure facilities.

Forms were handed out asking for pounds of production being disposed of in order to record the days action. For further information or forms to be filed contact Don Moos 715-658-1526 or Steve Siverling 715-568-3158.

lene Moos

June 20, 2000

PRESS RELEASE

A NATIONAL EMERGENCY MILK STRIKE MEETING TO BE HELD AT THE MARY COUNTRY VILLA IN TILDEN WISCONSIN HWY 53 & COUNTY ROAD B. MONDAY JUNE 19TH 2000 8:00 P.M. THIS EMERGENCY MEETING NOTICE IS TO INVITE ALL DAIRY FARMERS TO PARTICIPATE IN A NATIONAL MILK STRIKE SCHEDULED FOR JULY 4TH 2000 OUR INDEPENDENCE DAY. ALL DAIRY FARMERS ARE WELCOME. THE (3) MAIN OBJECTIVES ARE:

- 1. EMERGENCY \$13.50 CLASS III FLOOR PRICE EFFECTIVE IMMEDIATELY (AUG. 1, 2000)**
- 2. A GOVERNMENT MANDATED SUPPLY MANAGEMENT SYSTEM OPERABLE AS OF JAN. 2001 TO INCLUDE USDA COST OF PRODUCTION**
- 3. A VARIABLE MAKE ALLOWANCE TO ALL PROCESSORS IN THE COUNTRY**

QUESTIONS CONTACT:

STEVE SIVERLING 715-568-3158

DON & ILENE MOOS 715-658-1526

By: Gregory Blaska
950 Kingston Circle
Sun Prairie, WI 53590

Support for HR 3864, by Rep. Obey and Rep. Hinchley and Rep. Baldwin, a bill to extend the milk price support program through year 2002 at an increased price support rate of \$12.50.

The National Dairy Panel, convened at Eau Claire, WI on February 5, 2000 concurs with HR 3864, to correct the present support price of \$9.90 which is too low, and not adjusted annually to the total cost of producing milk in the United States.

The panel also agrees that any long term solution to foundation (safety net) pricing for dairy farmers has to incorporate some type of supply management and responsibility to minimize the government cost of maintaining the price support program.

The panel suggests that the Farm Bill of Year 2003 incorporates an index to replace the \$12.50 foundation support price with a price of 80% of the total cost of production adjusted annually.

Therefore, the panel suggests that an assessment program be incorporated in HR 3864 to cap the government cost of purchases of dairy products to support the \$12.50 price at \$200 million annually. This product would be used in Federal programs similar to the present program.

Purchases over \$200 million would be the obligation of dairy producers with a uniform assessment per HWT with the following exceptions.

1. The first 1.5 million pounds of annual production would not be assessed.
2. Producers not exceeding their prior year's production would receive refunds quarterly.

Milk products purchased by the producers would be used by:

1. Donation to domestic and foreign relief programs approved by the Secretary of Agriculture.
2. Establish an export class of milk products to compete at world prices.
3. Expand the D.E.I.P. program at producer expense.

STATEMENT OF JANET NELSON, of Prairie Farmer, WI, to the Wisconsin State Senate Committee on the Judiciary and Consumer Affairs, meeting in Eau Claire, WI, June 23, 2000.

My name is Janet Nelson. I live just outside of Prairie Farm, WI in Barron County where I own and operate a 400-acre, 60-cow dairy farm with my husband, Julian. We have farmed there for 40 years and raised four children on the farm, all of them girls.

Of our children, two of our girls and their husbands also farm another 300 to 400 acres nearby, milking 50 to 60 dairy cows in addition to holding down off the farm jobs.

Julian and I have been active dairy farmers all our lives and also active in a number of local church and civic groups and have served as directors on other farm-related boards. I have been on the board of directors of the Wisconsin Farmers Union for nearly 20 years and currently serve as vice president of the WFU. I also am active on the Barron County dairy promotion committee, which puts on the annual Barron County Dairy Breakfast and work at the Barron County Fair for the WFU. I also recently was appointed to a two-year term on the National Dairy Board. My husband Julian also serves on the Farm Credit Board for our region as well.

As you can see by that, Julian and I have been dedicated dairy farmers all our adult lives, believing that dairy farming was a good way of making a living and hoping that it would prove to be a fruitful future endeavor for our children as well.

At one time that was our dream and for awhile it was a dream fulfilled as the fruits of our labor helped us raise four children to adulthood and contributed to the economic well being of our local community and the state of Wisconsin.

Unfortunately, in this day and age, I am not so certain that dream can come true for a future generation of family dairy farmers.

The reality of a flood of imports, which has hammered milk, prices down to below \$9.50 per cwt. over a sustained period of time and a federal dairy policy which has failed to shore up prices to anywhere near the cost of production, makes me increasingly skeptical that another generation of dairy farmers will be willing to take on the economic risk and huge capital investment necessary to own and operate a dairy farm in this day and age.

Certainly milk prices at the level we have seen in recent months make it hard to sustain even a well-managed, well-established dairy farm for any length of time and I believe we are seeing the impact of that in the numbers of older, long-time producers who are throwing in the towel and calling it quits.

The impact that will have on our local rural communities will be devastating here in Wisconsin. We have been lucky to date in that Wisconsin's tradition of family farm agriculture with its greater number of medium-size farms has sustained our rural communities so that they have not become ghost towns that exists in other states to the west where the rise of large, corporate style agriculture has killed off many rural businesses and the communities in which they once thrived.

The same thing can happen in Wisconsin as well, if dairy farming heads down the road to large corporate-style dairies. Few local communities will be able to maintain their main street businesses on the trade generated by a small number of large dairy operations manned by a small number of low-paid, hourly workers.

The trends we have seen in dairy farming and dairy markets in recent years sometimes leads me to be very pessimistic at times about the future of dairy farming in Wisconsin.

At the same time, I know that the trend can be reversed if we can demonstrate the leadership and the political will to bring about significant changes in dairy policy in this country so that it builds a strong foundation price for dairy producers that enables them to sustain and grow their dairy operations.

The question before us today is whether we have the skill and determination to exercise that leadership before it is too late.

I certainly hope that is the case and stand ready to try to do my part as well. I want to thank you for the time and opportunity to testify here today and will try to answer any questions you may have.

Hearing
Senator Gary George
State of Wisconsin
Sixth Senate District
June 23, 2000

Honorable Senator George, thank you for inviting me to this hearing to address the concerns of Wisconsin farmers. My name is Bob Cropp. I am an Agricultural Economist in the Department of Agricultural and Applied Economics, dairy marketing and policy specialists with University of Wisconsin Cooperative Extension and Director of the University of Wisconsin Center for Cooperatives, all at University of Wisconsin Madison. My remarks will pertain to the dairy industry and Wisconsin dairy farms.

First, let me make some comments about the environment of the dairy industry. Farm level milk prices for recent months have been very depressed and at levels not seen since 1978. These prices follow two years of relatively good milk prices, in fact some record high milk prices. Why the change? Uncertain and volatile milk prices are the result of a major change in the federal dairy price support program that took place in 1981. Being faced by growing milk surpluses and government costs for the federal support program, Congress removed the support price from being based on parity to one based on the level of milk surpluses and government costs. Under this

change in policy, the support price, which was \$13.10 per hundredweight in 1981, was reduced to \$10.10 by 1990. The 1996 Farm Bill directed that the dairy price support program be phased down and terminated the end of 1999. Congress extended the support price through December 31, 2000 and is likely to extend it through 2002 at which time a new farm bill is to be in place. The current support price is \$9.90 per hundredweight, well below the full cost of production for most dairy farmers and below the cash of the majority. Under this low support price market forces determine milk prices the majority of the time. Relatively small changes or anticipated changes in the milk supply have rather major changes on farm level milk prices. With commercial milk sales growing annually in the 2 to 3 percent range, if milk production is less than 2 to 3 percent, milk prices will show major strength as seen in 1998 (milk production increased only slightly), and if milk production exceeds these levels, milk prices will fall, as seen the end of 1999 and currently (milk production increased 3.4 percent in 1999). Thus far this year milk production has been running well above 3 percent, as compare to a year earlier, with some slowing in May, production up 2.6 percent. Milk prices are showing seasonal strength but will not substantially recover until milk production slows. The relatively high milk prices in 1998 and 1999 along with relatively low feed prices have encouraged dairy expansion

nationally. Milk cow numbers normally decline between .5 to 1.0 percent annually. But last year milk cows increased slightly and have grown each month this year.

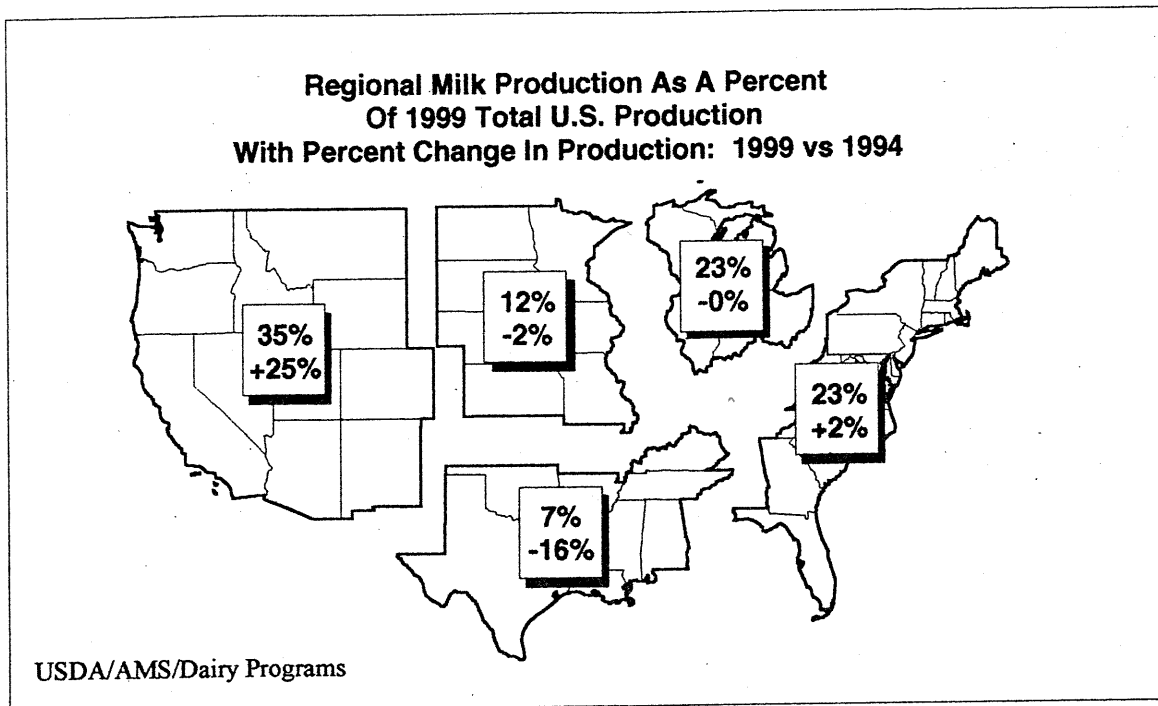
The dairy industry is a national industry. National milk supply and demand conditions drive milk prices, not just what goes on in Wisconsin. Therefore, there is little Wisconsin can do by itself to help milk prices. It takes national policy. Milk production has not been growing in Wisconsin. Production was up just 1 percent in 1999 and showing only a slight growth this year. Milk cow numbers are down about .8 percent in Wisconsin compared to being up .8 percent in the U.S. The West continues to experience aggressive milk expansion. See the table below for May milk production and the map on changes in milk production over the past five years.

With no change in the federal support price and there is normal production conditions, that is, not a drought, depressed milk production or the like, the average annual milk price that Wisconsin farmers will face is around \$13.00 per hundredweight, not \$14, \$15, \$16, or \$17 prices experienced during 1998 and 1999 due to milk production problems. Milk prices higher than \$13.00 (assuming feed prices also stay at relatively low levels) will

encourage milk expansion. Milk prices below \$13.00 will encourage additional exiting from dairying and slow or stop expansion decisions. Under normal conditions an average annual milk price of near \$13.00 per hundredweight will meet all the market needs. The \$13.00 is a market clearing price.

May Milk Production, Percent Changes From A Year Ago, Selected States

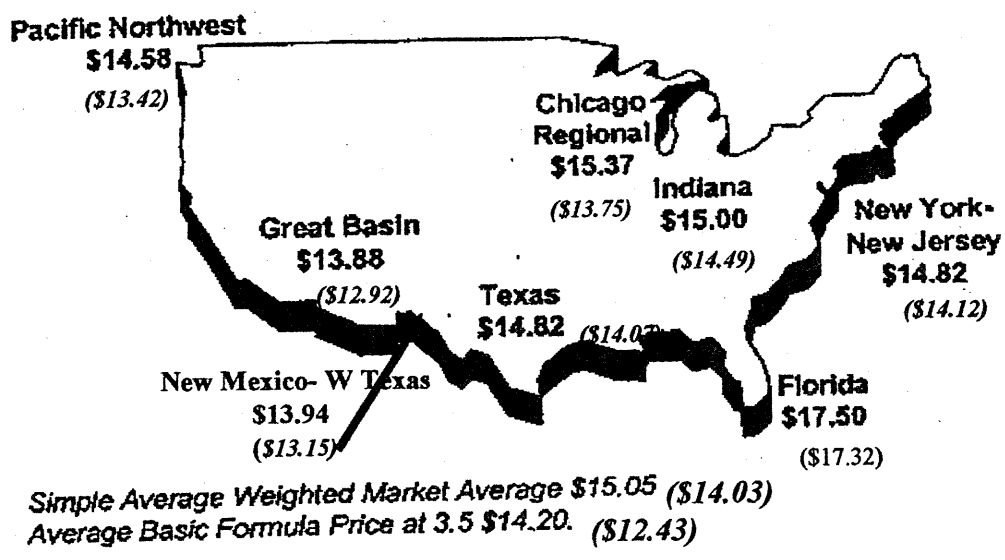
State	Cow Numbers	Milk Per Cow	Milk Production
CA	3.7	1.1	4.8
ID	8.9	4.7	14.0
WA	-0.4	2.6	2.1
NM	6.0	5.8	12.2
AR	3.0	2.4	5.4
NY	-1.7	-0.7	-2.3
PA	0.0	0.6	0.6
FL	-1.3	4.3	3.1
MO	-2.5	1.5	-1.0
WI	-0.8	1.0	0.1
MN	-0.9	0.6	-0.2
20 States	0.8	1.7	2.6



Many dairy farmers say that they cannot survive at \$13.00 milk and they are absolutely correct. But there are many dairy farmers in Wisconsin and particularly in the West making expansion decisions and are able to borrow money for expansion using a \$12.50 milk price as their decision. Modern technology, both production and management technology is allowing these dairy farmers to produce more milk at a lower cost via of relatively large dairy herds or low input intensive grazing. These farmers adopting change are able to lower their costs of production while those dairy farmers staying with the traditional way of dairying are experiencing rising costs of production and tough times. It does no good to tell Wisconsin farmers that

milk prices will be on the average more than \$13.00. It does no good to tell Wisconsin farmers that the reason Wisconsin farmers are experiencing low milk prices and going out of business is because federal milk marketing orders work against them. Yes, federal milk marketing orders are messed up, and do not work in the best interest of Wisconsin farmers. Yes, federal milk marketing orders need to be changed and we need to continue pursuing these changes. But, federal orders are only a small part of the structural change going on in the dairy industry. Changes in federal orders will not stop the structural changes occurring in the dairy industry—both the regional shifts in milk production and the trend to fewer and larger herds in Wisconsin. The following chart shows Wisconsin farmers actually receive some of the highest mailbox milk prices in the nation, milk prices much above those areas showing major growth in milk production. Wisconsin, therefore needs to assist the state's dairy farmers to be profitable in this very competitive market environment and not holding out hope that federal dairy policy changes will solve all of their pricing and income problems.

Federal Order Mailbox Prices 1998 Averages "1999 in ()"



So what are some suggestions for assisting Wisconsin's smaller dairy farmers to be competitive and profitable in this rapidly changing and competitive environment?

- 1) At the federal dairy policy level there is some support in establishing a target price for milk at a level near \$12.50 base price (\$13.90 average all milk price). When the market price falls below this level, dairy farmers would receive the difference in direct payments with a payment limitation on size of dairy farm. One version of this concept would include an additional incentive payment to those dairy farmers who do not expand milk production. Senator Feingold has been particularly

interested in this option as are others. You may wish to pursue supporting this concept.

- 2) Work with dairy farmers in doing a business plan. What are their family and business goals? Consider their existing situation and what changes they might be able to make—improve cow productivity, adding a few cows, may be in some case actually reducing herd size, going low input like intensive grazing, or the like---determine if their goals can reasonably be met. The challenge is finding sufficient human resources with expertise to work with these farmers as well as funds for the business plans. But there are good examples where such analysis and planning effort has greatly benefited Wisconsin dairy farmers.
- 3) Joining forces with small cheese plants to produce value added cheeses or niche market cheeses (organic). This could be a joint ownership between farmers and the cheese maker. A LLC might be a good business model.
- 4) Organize a cooperative to produce cheese that has added value. Federal funds are available from USDA, RB-Cooperative Services. But a sound feasibility study and business plan are essential. Can the product be marketed is the important question. There is assistance for feasibility studies as well.

- 5) Purchase some or all of your feed supplies. This eliminates the major capital investment in machinery and allows labor time to be devoted to good milk production and not also spread over crop production and harvesting.
- 6) Share machinery with a neighbor.
- 7) On farm processing. There are opportunities here, but again it must be approached with caution. A sound feasibility study and business plan are required. Also, does the farm operator have the management skills for such an activity?

These are a few ideas that some dairy farmers are now doing or are considering doing. Wisconsin dairy farmers either need to figure out how to profitably produce milk for \$13.00 per hundredweight, add value to their milk greater than \$13.00 per hundredweight or hope that U.S. Congress increases the support level on milk, which is possible but far from a sure happening. Even if federal policy did enhance milk prices, dairy farmers should still consider how to lower their cost of production or how to add value to their milk. Wisconsin has a lot of natural advantages in milk production. But changes in the way we produce milk on the farm as well as processing and marketing need to be made to capture these advantages and profitably grow the state's dairy industry. For those who are willing to

change, I believe the dairy future is bright. For those not willing to change,
the future is not so bright.

Thank you. I welcome any questions.

Costs and Returns per Hundredweight Equivalent of Milk Produced on Selected Wisconsin Dairy Farms
Cost Item:

	1995	1996	1997	1998	1999
Basic Costs	\$ 7.41	\$ 8.55	\$ 7.86	\$ 8.23	\$ 7.41
Interest Paid	\$ 0.92	\$ 0.94	\$ 0.91	\$ 0.94	\$ 1.08
Wages and Benefits Paid	\$ 1.07	\$ 1.35	\$ 1.35	\$ 1.45	\$ 1.37
Depreciation	\$ 1.57	\$ 1.92	\$ 1.68	\$ 1.80	\$ 1.90
Unpaid Labor	\$ 1.31	\$ 1.25	\$ 1.22	\$ 1.14	\$ 1.20
Unpaid Management	\$ 0.43	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.39
Interest on Equity	\$ 1.10	\$ 1.12	\$ 1.05	\$ 0.93	\$ 0.90
Total Cost	\$ 13.81	\$ 15.54	\$ 14.48	\$ 14.90	\$ 14.25

Average US All Milk Price \$ 12.74 \$ 14.88 \$ 13.34 \$ 15.43 \$ 13.86

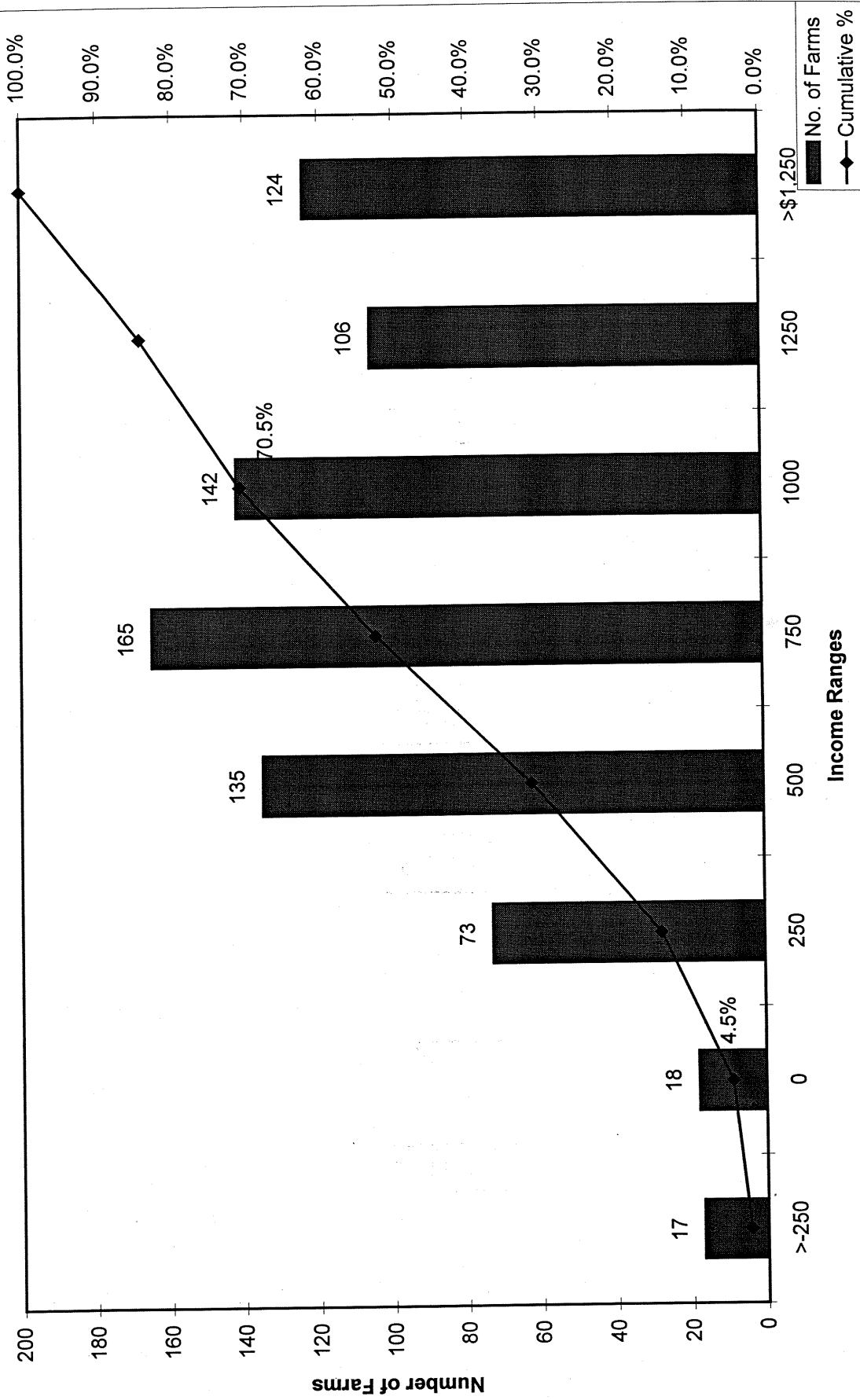
Return Above ...

Basic Costs	\$ 5.33	\$ 6.33	\$ 5.48	\$ 7.20	\$ 6.45
Operating Costs*	\$ 3.34	\$ 4.04	\$ 3.22	\$ 4.81	\$ 4.00
Operating Costs* + Unpaid L&M**	\$ 1.60	\$ 2.38	\$ 1.59	\$ 3.26	\$ 2.41
All Costs	\$ (1.07)	\$ (0.66)	\$ (1.14)	\$ 0.53	\$ (0.39)

*Operating costs equal basic costs plus interest, wages and benefits paid.

**Unpaid labor was calculated at \$9.00 per hour in 1999 and unpaid management at \$10.00 per hour.

Net Farm Income per Cow in 1998



Wisconsin Dairy Farming and the Ongoing Price Crisis

Brad Barham
Program on Agricultural Technology Studies
Department of Agricultural and Applied Economics
University of Wisconsin-Madison

Testimony for the Wisconsin State Senate
June 22, 2000

It is an honor to be here today. Over the past half decade I have studied the dynamics of structural change on Wisconsin dairy farms. There is more to discuss than 10 minutes allows. The issues of relevance to public policy stretch far beyond the historically low prices experienced so far this year. In case I run short of time, I want to start with my punch line. **The best thing we, in the public sector, can do for Wisconsin's dairy farmers is to design a range of programs and policies aimed at working with the diversity of dairy farmers we have in the state (big, small, conventional confinement, graziers, and so on).**

Put differently, we must not accept the facile idea that today's price crisis or any other recent changes have made one way of doing dairy (i.e., the big way) the only way. That vision is both seductive and treacherous. It is seductive, because it is the predominant dairy farm model we see burgeoning in the West, where milk supply has expanded rapidly in recent years. It is treacherous, because it misses the reality in Wisconsin, which is

that dairy farmers have already identified more than one path to be effective in what has become a much more competitive sector.

What brings us together for this hearing is a deep and abiding concern with the potential effects of low milk prices on Wisconsin family dairy farms, on the structure and performance of agriculture in Wisconsin, and on the vitality of rural communities all across the state. Yesterday, a farmer in an interview on Wisconsin Public Radio said that if the prices stay where they are till year end, that the state will lose 25% of its dairy farms. Given that over the past 10 months, prices fell from \$17 per cwt to a historic nominal price of under \$10 cwt, I can certainly understand the sense of desperation that would lead to that statement. And, at PATS, where I work, we have heard and seen that desperation before in our survey work with farmers and the farmer meetings and listening groups we have done throughout the 1990s. The pain and suffering he expresses are real, but the forecast of impending disaster is not accurate. Let me suggest why.

First, dairy farmers face major sunk costs in their farms and their own human capital. In many cases, to exit means to lose their shirts and for many their way of life. Moreover, one year is not likely to make or break their operations, unless their debt levels are real high, which is not the case on most Wisconsin dairy farms, especially those that have not undergone major expansions in recent years. For many dairy farms, where at least one off-farm job is helping to provide household income, there is also a cushion of sorts.

In fact, in no year on record has Wisconsin lost more than 8% of its dairy farms (that high watermark was the year of the U.S. Dairy Herd Buyout program). In most years until the mid-1990s the farm loss figures were a steady 4 to 5% per year, with most of the decline being driven by retirements that were not replaced by entering farmers. Even in recent years (like 1997) when Wisconsin dairy farmers faced another dramatic but less extended price shock, the net exit rate was around 7%, slightly higher than historical norms but nowhere near 25%. I belabor this point,

because we need effective and extended actions that address real issues facing Wisconsin's dairy farmers and the sector, not phony parades of support with real potential for follow through or change.

What is indisputable is that the Wisconsin dairy sector has, in fact, been through a persistent profit squeeze that dates back to the 1980s, when the real price of milk began what has been a long-term secular decline, with more volatile swings in recent years.

That crisis has been evident in many ways:

- (1) depressed net farm income indicators from the mid-1980s through the 1990s,
- (2) a declining volume of milk production for much of the 1990s,
- (3) a higher than historical net exit rate from the dairy sector in the later half of the 1990s (5% or more per year, compared with 3-4% in the decades prior to the 1990s),
- (4) relatedly a major decline occurred in the rate of entry of new dairy farmers to replace retiring farmers, and,
- (5) lots of hand-wringing about what to do, including among many initiatives the Dairy 2020 efforts.

What is also true is that the ongoing dairy crisis has occurred in some of the best times for the state's economy as a whole. For almost a decade, unemployment in Wisconsin has been at historic lows throughout most regions of the state. The lure of alternative opportunities for farmers and especially their children has been very strong both in labor markets and in some regions, especially near urban centers, in alternative land uses that allow the family to make money off of their land through its sale or use in other ways outside of agriculture. In that sense, the decline in the Wisconsin dairy industry has not been nearly as painful as it might have been if the labor and land market alternatives available to many of the farm families had been less attractive. Indeed, much of the decline in farm numbers and milk production has been driven by a dramatic falloff in the entry of new dairy farmers, which has been both a demographic trend, driven by smaller farm families, and an economic one, driven by attractive job prospects for hard-working farm kids in other sectors of the economy. Thus, the public sector has not been pressed as hard as we might have been by rural

communities and farm families to more effectively address the persistent dairy farm crisis, because the escape valve has been open and widely used.

In the meantime, dairy farmers in Wisconsin have responded to the profit squeeze of the past 15 years in a variety of ways.

Among the most prominent changes in the landscape has been the emergence of a substantial class of dairy farms that now operate at a scale which requires much more specialization, labor hiring, and generally new, expanded facilities (including parlors, freestall barns, bunker silos, and manure storage facilities).

This trend while real and important has tended to be exaggerated. Some people believe that these larger farms now dominate the sector as their expansion experiences dominate the farm press and much of the public support programs. They don't dominate in 2000. In 1998, farms over 200 cows accounted for only 3% or so of farms in Wisconsin and 14% of the milk produced. If you add to this category dairy farms with between 100 and 199 cows, and also call them large (which they only are by

historical standards not relative to the average size of farms in the West or many other places), then all of the operations over 100 cows account for 12% of WI's farms and about 35% of the milk. Put differently, if we call moderate-scale operations, those under 100 cows, then in 1998, they accounted for 88% of the farms and almost 2/3 of the milk in Wisconsin. In that sense, the structure of the Wisconsin' dairy sector continues to be one where moderate-scale operations predominate in a meaningful sense.

In addition to the growth of high-end confinement operations, WI dairy farmers have made other important innovations in the 1990s that are noteworthy. Management-intensive rotational grazing is the main example of low-input systems that aim to minimize costs and capital investments in equipment as well as save labor time in field work to allow more for milking and herd management and in some cases off-farm work. Almost 25% of the state's dairy farmers use rotational grazing as part of their operation now, and about half of those use it as a centerpiece in their production strategy. Many of them have found that they can

make decent money, reduce the labor time on the farm, and improve their quality of life, even when prices are low.

Many farmers (especially but not only graziers) have also found ways to milk more cows more cheaply in low-cost parlors. Flat-barn parlors, especially, are becoming more common around the state, as moderate-scale operators look for intermediate strategies that will allow them to milk more cows than they can in their stanchion barns yet avoid the major capital outlays and other demands of a more conventional high-end expansion. These and other innovations that improve the efficiency or competitiveness of WI's dairy farms are where our attention should be, as researchers and as policy makers. We cannot change prices, but we can help improve production systems and disseminate the latest improvements through various public assistance programs, especially those that put farmer's own innovations in the limelight for other farmers to evaluate.

Let me also point out quickly that farmers and others have made innovations on the marketing side, too. The rise of organic

milk products (CROP) and specialty cheeses suggest the prospect for Wisconsin's farmers of trying to find market niches that allow them some price premiums. This is not a solution that all dairy farmers can follow, but it may also be one where the opportunities for playing on Wisconsin's reputation as America's Dairyland could be more completely exploited than has been done to date through the state's concentration on bulk cheese products. Again, the lessons from marketing innovations in this area need more attention and discussion to see whether they can be more broadly applied in some regions among small groups of farmers.

Let me close by pointing out that Wisconsin dairy farmers have different levels and types of financial, technical, managerial, organizational, and land resources available to them. If you need a mental picture, contrast the unglaciated region in the Western part of the state with the flatter, rich soils of the Eastern part of the state. The relative popularity of grazing among Western WI dairy farmers and large confinement operations among Eastern WI dairy farmers follows suit. This kind of diversity means that we need

public support for production and marketing and organizational strategies that work with the full range of farmers and their surrounding communities to find solutions that are appropriate to their situations. The policy approach has to be one where state and other public resources are targeted to empower farmers to work together, learn from one another, and forge production and marketing strategies that will allow them to be more competitive or, through certain market niches, more protected than producers elsewhere. Today's low prices hurt bad, and may force some producers out. However, if we don't find ways to develop long-term strategies that enhance the competitive position of the diverse types of operations we have in the state, then we will have missed the real opportunity to make a difference. A call from on high to do this would help those of us in the trenches of public service to break out of the one way is better gridlock we often experience when we work in such a politically fragmented sector.

Sharon Hildebrand
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Eau Claire, WI
5470

① The difference between what farmers are paid (per 100 wgt.) and what consumers pay for dairy products has not been examined thoroughly enough. What consumers pay at the grocery store has not dropped even though farmers are receiving record low prices for their product. (The current gas price situation must be an obvious analogy!)

I would like to see state government take a very aggressive role in investigating these discrepancies, and establish punitive measures or ^a regulatory role.

② Encourage Wisconsin farmers to form their own Dairy 'Pack' (oh, the marketing ^{ties} & possibilities w/ the G. B. Packers!) and help them develop marketing strategies and sales campaigns. (Marketing Innovations I - play up our best resources (the beauty of WI, the moral ethic of WI farmers, Pure & Better milk))