

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 9-25

BILL NO. AB 44

OR

SUBJECT Dairy Premiums

(NAME) REP. DRUM WARD

321 E

(Street Address or Route Number)

(City and Zip Code)

(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: 9/25/01

BILL NO. AB 44

OR

SUBJECT _____

(NAME) Rep. Al Ott

(Street Address or Route Number)

(City and Zip Code)

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

SENATE HEARING SLIP

(Please Print Plainly)

DATE: SEPT 25, 2001

BILL NO. AB 44

OR

SUBJECT MILK PRIZES

TO PRODUCERS

(NAME) JOHN NORTON

(Street Address or Route Number) 2811 AGRICULTURE DR

(City and Zip Code) MADISON WI 53704

(Representing) Wis. Dept of Agr. Trade +

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

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 9-25-01

BILL NO. AB-44

OR
SUBJECT _____

John Umhoefer

(NAME)

P.O. Box 2133

(Street Address or Route Number)

Madison WI 53701

(City and Zip Code)

Wis. Cheese Packers Assoc.

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

SENATE HEARING SLIP

(Please Print Plainly)

DATE: Sept. 25 2001

BILL NO. AB44

OR
SUBJECT _____

Bob Demas

(NAME)

117 W Spaw St

(Street Address or Route Number)

Chippewa Falls 54739

(City and Zip Code)

Wisconsin Farmers Union

(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: Sept 25, 2001

BILL NO. AB44

OR
SUBJECT _____

James Tostenson

(NAME)

W925 Country Rd H

(Street Address or Route Number)

Fremont, Wis 54940

(City and Zip Code)

Self

(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
Refer to speech last
on Monday last

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 9-25-01

BILL NO. AB 44
OR

SUBJECT _____

BREX JONES
(NAME)

111 - MADISON
(Street Address or Route Number)

(City and Zip Code)

(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: 9/25/01

BILL NO. AB 44
OR

SUBJECT _____

Paul Zimmerman
(NAME)

1212 Downing Way
(Street Address or Route Number)

(City and Zip Code)

(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

From: Bob Cropp, Dairy Marketing & Policy
Specialist, University of Wisconsin-Madison

Re: Assembly Bill 44

September 24, 2001

My schedule does not allow me to attend the hearing on Assembly Bill 44. But I would like to make a brief comment regarding the Bill.

While the intent of the Bill is fine, I really question the ability of milk buyers to comply and the ability to enforce. Currently price discrimination is illegal unless it is done in good faith to meet competition. So if existing law is enforced, there is no need for new legislation. But know it is extremely difficult to enforce the existing law, as it will be for this law, if passed. The reason is there are so many factors that go into a dairy producer's milk price such as:

- Cost of hauling, which is influenced by distance, road conditions, farm conditions, and volume of milk at pickup.
- Milk quality
- Milk composition; producers are paid for pounds of protein, butterfat, and other solids-not-fat; these component values are derived under federal orders via complicated formulas.
- The Producer Price Differential per hundredweight of milk that varies monthly due to changing milk utilization in the market and by location of the milk plant that receives the milk.

It will be extremely difficult, if not impossible for a milk buyer to publish an established method of payment that includes all of the above pricing variables in a fashion that dairy farmers and enforcement officials can easily understand and use to compare actual milk prices paid to farmers. The fact is, many dairy farmers do not fully understand how their milk price is determined now because of the complexity of federal milk order pricing. Since federal order reform on January 2000, dairy producers no longer get paid on a hundredweight bases, but rather on the pounds of components marketed and quality adjustments.

In summary, I am in agreement with the intent of the law. But I question the practicality of implementing the law.



**WISCONSIN
FARMERS
UNION**



Statement
of the
Wisconsin Farmers Union

To the

Wisconsin State Senate
Committee on Labor and Agriculture

On

SB 105 and AB 44

September 25, 2001

My name is Robert A. Denman and I serve as Assistant to the President of the Wisconsin Farmers Union. The Wisconsin Farmers Union would like to thank the Wisconsin State Senate's Committee on Labor and Agriculture for the opportunity to testify here today on Senate Bill 105 which would provide incentive payments to producers of ethanol in the state and Assembly Bill 44 which seeks to repeal the current Wisconsin law that prohibits persons engaged in the buying of milk from producers from discriminating between producers in the price paid for milk.

I would like to open my testimony by addressing the issue of SB105.

The Farmers Union at both the state and national level long has been a supporter of efforts to promote the development of alternative energy sources, most especially renewable fuels from agriculture-based feedstocks. For that reason, the Farmers Union has been at the forefront in supporting legislation at the state and national level to promote the development of ethanol from a variety of agriculture crops, and especially corn and other grain sources.

The Farmers Union believes that is wise government policy for two reasons. First, it reduces our nation's dependence on non-renewable fuel sources and especially petroleum-based products which increasingly come from foreign-based sources which are subject to uncertain political changes. Second, it provides an alternative market for our agricultural producers who have demonstrated time and again their ability to produce an abundance from our productive land resource.

Those are just two of the reasons why the Wisconsin Farmers Union supports passage of SB 105. There are other reasons as well.

Grain production has been steadily increasing in Wisconsin in recent years and the grain producers of our state need the alternative market ethanol production provides to our state's many grain producers. It also provides us with the opportunity to produce a value-added farm product within our state's borders and provides our state with the many jobs which would come about due to that production. Further, it provides our state with a useful and monetarily valuable fuel supply at a time when we are at the end of pipeline for petroleum products.

Given the important role ethanol production could play in the economic future of our state, the Wisconsin Farmers Union also urges the Senate Committee and the Wisconsin legislature as a whole to also pass a resolution urging the U.S. Congress to establish a renewable energy reserve as a key component of the new farm bill which is up

for consideration in the current Congress and to direct our state's agricultural lobbyist to seek its inclusion as a title in the new farm bill.

The Wisconsin Farmers Union believes such a national renewable energy reserve needs to be established to ensure adequate feedstock commodities to our renewable energy industry when renewable fuels production is at risk of decline due to drought or crop disease and to protect our newly-based ethanol producers from significant commodity price increases which could jeopardize their economic viability.

The National Farmers Union has included a renewable energy reserve as one component in the farm bill proposal it has outlined to the U.S. Congress. Under the Farmers Union proposal the renewable energy reserve would be limited to the type and quantity of commodities necessary to provide approximately one-year's utilization plus additional commodities to provide incentives for research and development of new renewable fuels/bioenergy initiatives. Quantities of the reserve would be sold by the U.S. Secretary of Agriculture to eligible renewable fuels/bioenergy enterprises at the government's procurement price when the market price for those commodities exceed 100% of the farmers' full economic cost of production.

Let me now turn my attention to AB 44.

As members of the committee no doubt are aware, the Wisconsin Farmers Union has long been an advocate for the current Wisconsin law which prohibits the payment of different prices to producers based on the volume of milk they ship to processors. The main basis of the WFU opposition to volume premiums is that all farmers deserve to be paid the same price for the milk they ship to processors, when all other criteria for such milk are equal. The payment of higher premiums for volume simply mean that the higher price paid to large volume milk producers is simply deducted from the price paid smaller producers. It is a case of equity, which the previous state legislature understood and approved.

At the same time, the WFU has come to recognize the problems created when the state of Wisconsin prohibits the payment of volume premiums and other states allow that unfair practice to take place. The WFU also recognizes that the problem was compounded in recent history when the processors outside the state challenged the prohibition of volume premiums paid on milk shipped from the state of Wisconsin to out of state processors and the federal courts ruled the Wisconsin statute on volume premiums could not be enforced on milk being shipped in interstate commerce.

It is for that reason that the Wisconsin Farmers Union has adopted a change in its policy statement on volume premiums, recommending that the prohibition on payment of volume premiums be enacted into law at the federal level and is seeking passage of that legislation at this time.

Indeed, the Wisconsin Farmers Union is opposed to passage of AB 44 because of the signal such passage may send to the U.S. Congress. If the Wisconsin legislature

repeals the prohibition of payment of milk volume premiums at the state level, it will make passage of a federal volume premium statute much harder to enact.

The Wisconsin Farmers Union believes the Wisconsin state legislature should remain proud of the progressive nature of its current volume premium law which shows the federal government how it should address this issue of equity.

Instead of repealing Wisconsin law on volume premiums by passage of AB 44, the Wisconsin Farmers Union believes Wisconsin state legislature should take the lead in seeking to implement the state's current volume premium law at the federal level. The Wisconsin state legislature should pass a resolution directing the state's governor and those individuals charged with lobbying the U.S. Congress on behalf of Wisconsin farmers to seek immediate passage of federal legislation extending the Wisconsin volume premium prohibition to interstate commerce as part of the new farm bill. Such an action would be in keeping with the Wisconsin tradition of leading the way towards enactment of progressive legislation that levels the economic and social playing field for all involved.

SELECTED FACTS AND ISSUES RELATED TO VOLUME PREMIUM REGULATIONS

Prepared by

Bruce L. Jones

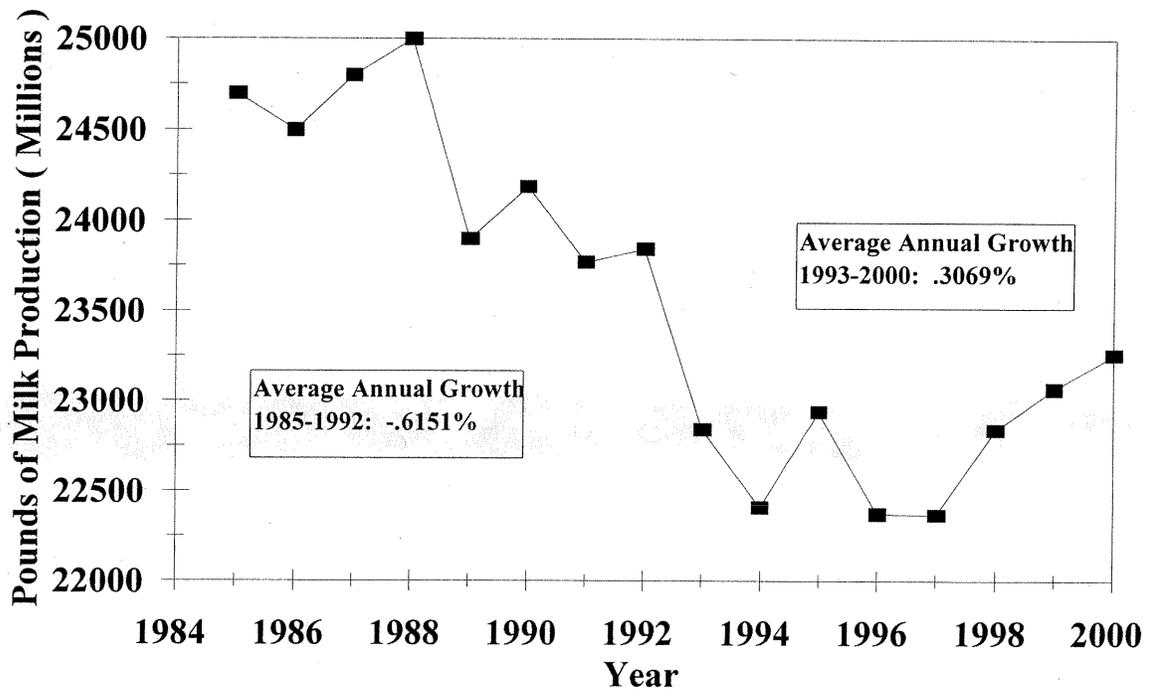
Professor of Agricultural Economics

UW- Madison Department of Agricultural and Applied Economics and UW Center for Dairy
Profitability

September 25, 2001

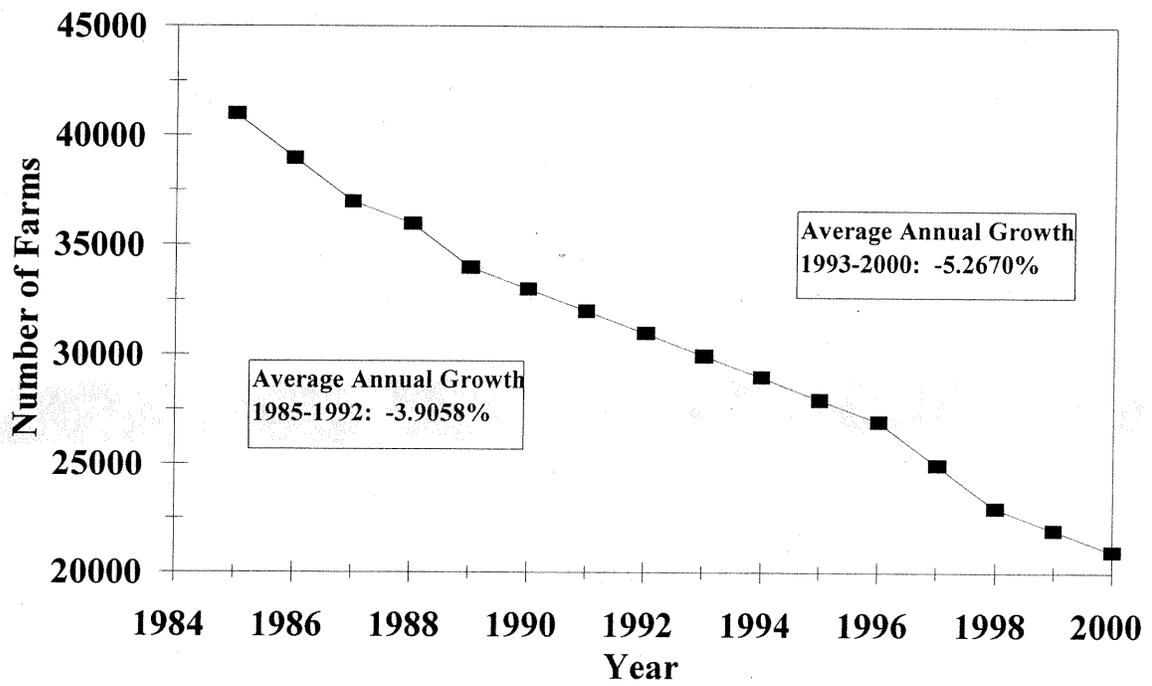
Wisconsin Milk Production

Source: USDA-ERS



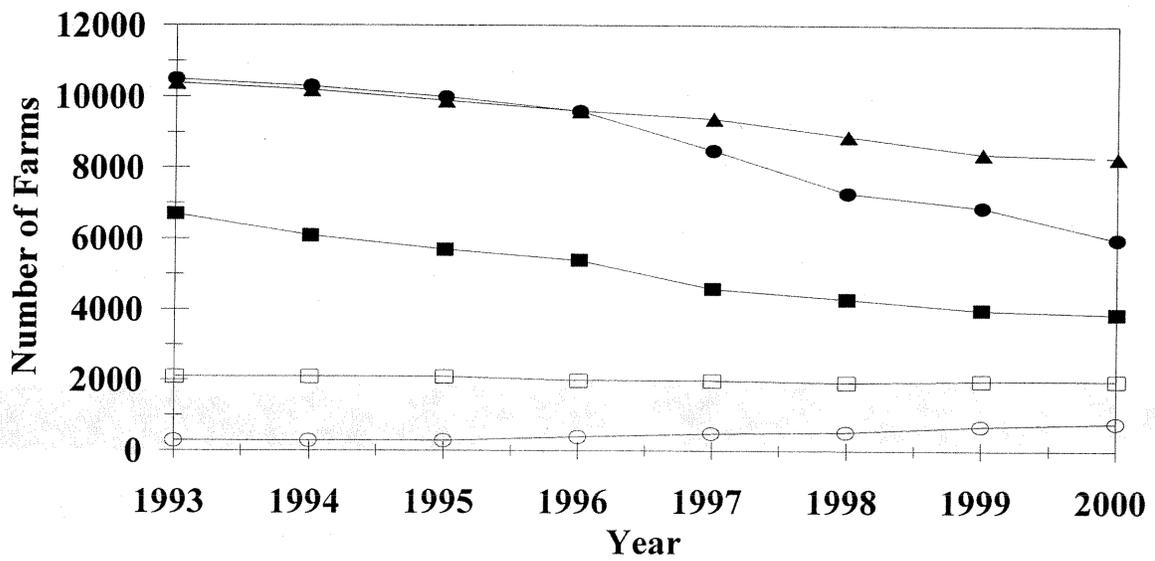
Wisconsin Dairy Farms

Source: USDA-ERS



Wisc. Dairy Farms, By Herd Size

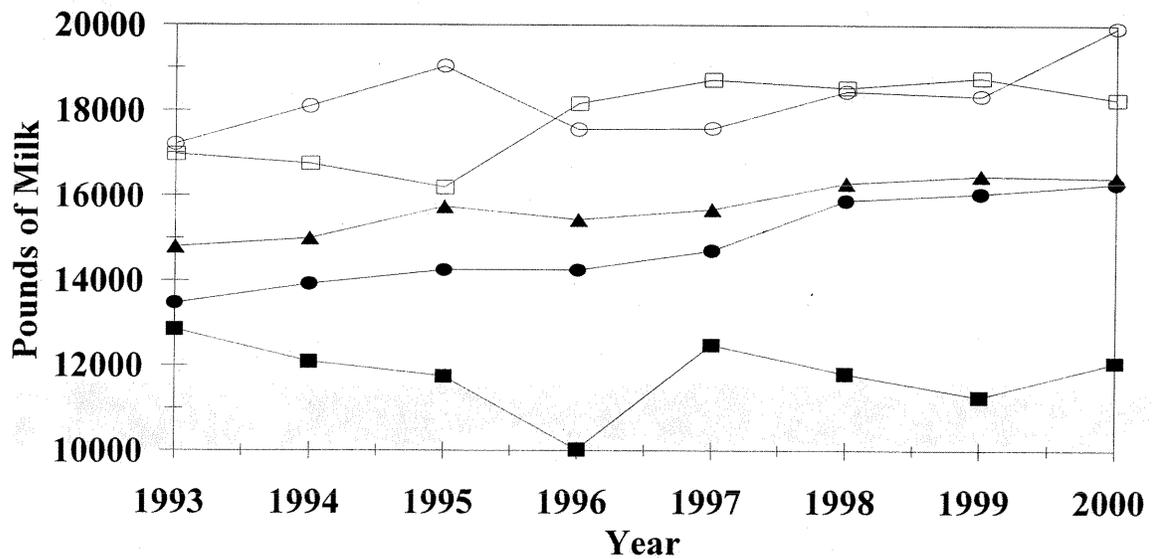
Source: USDA-ERS



■ 1 - 29 Cows ● 30 - 49 Cows ▲ 50 - 99 Cows
□ 100 - 199 Cows ○ 200 + Cows

Annual Milk Production Per Cow

Source: USDA-ERS



■ 1 - 29 Cows ● 30 - 49 Cows ▲ 50 - 99 Cows
□ 100 - 199 Cows ○ 200 + Cows

Strategic actions by dairy processors seeking to gain access to milk in future.

Close plants and go to growth regions, i.e. West

Assist farmers with modernization projects that will result in the production of milk in the future, i.e. Land o' Lakes

Raise pay price for milk in hope that these economic incentives will motivate dairy producers to produce more milk.

Options for raising pay price for milk

Pay higher price for milk to all producers

Target higher prices to those farmers who are judged to be the producers who will most likely be producing milk in the future

The thought behind this latter action is that no future economic returns will be gained from paying higher prices to those farmers who are not likely to re-invest profits in their dairies. Thus higher prices are targeted at those people who are judged to be players in the future.

These producers have been judged to be those dairies that tend to be larger with modern and productive technologies.

An Illustration of Supply and Demand Conditions at Work in the Fluid Milk Premiums Market

Present Demand

$$P = 65 - 10Q$$

Where P is price and Q is Quantity Demanded

Current Market Conditions

$$Q = 5$$

$$P = 15.00$$

Change in Market

Firm negotiates separately with producers and is able to get 1.25 independently at price of 16.00

New Demand In Market

$$P = 65 - 10Q \Rightarrow Q_D = 6.5 - .10P$$

$$Q_D^* = (6.5 - 1.25) - .10P$$

$$Q_D^* = 5.25 - .10 P$$

$$P^* = 52.50 - 10Q \text{ (New Demand Function)}$$

New Price In Market

$$P = 52.50 - 10(5-1.25)$$

$$P = 52.50 - 37.50 = 15.00$$

End Results

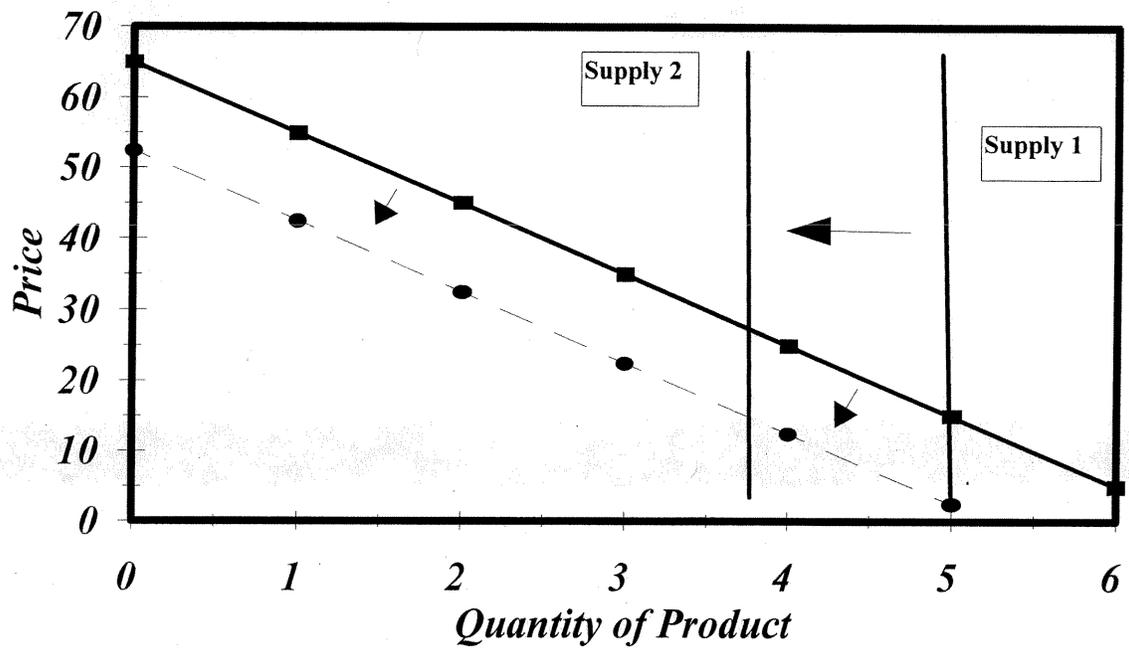
Members of Coop still receive 15.00

Producers leaving coop receive 16.00

Coops still have same cost of milk

Independent firm has higher cost of milk

Supply and Demand Activities in Market



—■— Demand -- Base

—●— Demand -- Supplies Gained Outside



September 25, 2001

WCMA Testimony on Assembly Bill AB 44

I am John Umhoefer, executive director of Wisconsin Cheese Makers Association. WCMA represents 87 companies and cooperatives that buy Wisconsin milk to make cheese and butter.

WCMA supports Assembly Bill 44 as a necessary change to protect our milk supply and allow innovative new methods to award dairy producers.

In summary, this bill:

- Will keep Wisconsin competitive with milk buyers that reach into Wisconsin from northern Michigan, Illinois, Iowa and Minnesota to take Wisconsin milk. Currently, these buyers can offer unlimited premiums on milk while Wisconsin processors face a cap on volume premiums that retard our ability to compete.
- Will solve, once and for all, our industry's repetitive arguments over each innovative new premium for milk.
- Allows milk processors to offer quality premiums and volume premiums. It allows our processors to offer new premiums that evolve with technology such as premiums based on cheese yield or a premium based on the kappa casein content of milk. It assures that all premiums will be announced, in writing, to all dairy producers and offered to all dairy producers.
- The bill retains the vital 'meeting competition' clause. This allows Wisconsin milk processors to respond if an out-of-state buyer makes a high premium offer to one or more of the dairy producers that ship to our plants.
- Will help assure that Wisconsin milk stays in Wisconsin. We have a deficit of milk in Wisconsin. Wisconsin imports nonfat dry milk to help fill our cheese vats. We need every drop of fresh Wisconsin milk to keep our dairy plants operating efficiently and our industry strong. We can't allow out-of-state buyers to cherry-pick our dairy producers because we have caps on our payments to producers.
- The dairy industry is Wisconsin's single largest industry with a \$17 billion impact on our state economy. Dairy producers, dairy processors, our work force, and our farm implement dealers, veterinarians and rural Main Streets need a strong dairy industry in Wisconsin.

Thank you for your time and attention.

P. O. Box 2133
Madison, WI 53701
3 S. Pinckney St. Suite 620
Madison, WI 53703

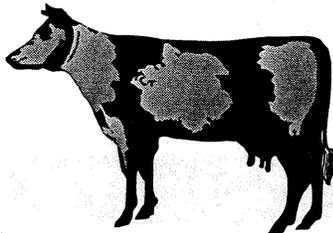
Phone
(608) 255-2027

Fax
(608) 255-4434

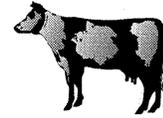
E-mail
office@wischeesemakersassn.org

REPRESENTATIVE DAVID WARD

2001 ASSEMBLY BILL 44
Informational Paper
September 25, 2001



P.O. Box 8953
Madison, WI 53708
(608) 266-3790



ASSEMBLY BILL 44

BACKGROUND

For many years Wisconsin purchasers of milk have paid different premiums to producers of milk based on different criteria. The criteria includes:

- Quality
- Protein
- Bacteria
- Butterfat
- Volume

As each criteria established its own premium program, a number of issues have been raised. For example, is the premium program fair? Can the dollar amount be justified? If the premium is based on a milk sample, how is the sample drawn and tested? Who does the premium help? Who does the premium hurt?

During the late 1980's and early 1990's, Wisconsin was establishing the premium based on quality. The goal behind the quality premium was to help promote high quality milk and consequently a higher paying price. Controversy over the premium soon developed.

Cheese makers wanted the premium stated that more cheese could be made from milk that had a high quality rating (low Somatic Cell "SCC" count and low bacteria level). Yet opponents of this premium said that higher premiums paid to producers with high quality milk was not justifiable. In addition, they believe that the increased cheese yield from high quality milk did not correlate with the premiums being paid. This resulted in the premium program that everyone originally thought was good for the Wisconsin dairy industry to be scrutinized.

The dairy industry felt that Wisconsin should be paying for and promoting the production of high quality milk. Still, the question was raised, "if we were to have a direct correlation between the quality of the milk and the increase in cheese yield, wouldn't this send a message to Wisconsin dairy producers that striving for quality was good but not that important?"

A system was put into place that each purchaser of milk would create a chart and pay premiums according to their chart. Producers could then judge where they wanted to send their milk based on how each plant would pay by looking at the chart. The plant would be required not to discriminate on how the chart was applied. For example, if farmer A and farmer B shipped their milk to Cheese Plant C and both had a SCC count of 150, both farmers should be paid the same quality premium.

Lately, premiums based on volume have caused the most concerns. The old rule said you



had to justify your premium. Purchasers had to prove the savings of sending one truck to one farm to pick up 10,000 lbs. of milk rather than sending the same truck to five different farms and picking up 2,000 lbs. of milk at each farm. The savings could be passed on as a “volume premium” to the producer.

Another part of the old rule stated that you could pay a premium to meet competition. For example, let's say farmer A and farmer B both send 10,000 lbs. of milk a day to cheese plant C. Both farmers receive the same volume premium from plant C. However, cheese plant D comes along and offers farmer A \$0.05 more of a volume premium. Farmer A then says to cheese plant C that cheese plant D is offering him/her \$0.05 more in a volume premium; therefore, plant C makes an offer to farmer A to match cheese plant D's offer. If farmer A agrees to cheese plant C's new offer, the result would be two neighbors selling the same amount of milk to the same plant on the same truck but getting a different price because farmer A was benefiting from the “meeting competition clause.”

PROBLEM

I believe everyone can agree that there is a problem in the situation just described. The problem is that a system has been created that is difficult to understand and too easy to manipulate.

At the request of several farmers, former Senator Alice Clausung requested the Department of Agriculture, Trade, and Consumer Protection (DATCP) enforce the price justification part of the volume premium rule. The request was accepted and DATCP told several plants to reduce some of the premiums they were paying.

At the same time, Dean Foods started to pay farmers a high volume premium by shipping the milk to its Illinois plant on a truck arranged by a farmer. Dean Foods claimed the milk changed hands in Illinois and therefore it didn't have to live by Wisconsin's volume premium rule.

DATCP eventually sued Dean Foods in court but lost the case. Senator Clausung demanded that DATCP appeal the ruling in the Federal Court of Appeals. Once again, Dean Foods prevailed.

As a result of the court verdict, Wisconsin's volume premium rule is not enforceable with out-of-state companies leaving DATCP with the power to only enforce the rule against Wisconsin based purchasers of milk; clearly making it easy for out-of-state purchasers of milk to pick-off of Wisconsin based company farmers.



ASSEMBLY BILL 44

Last session I drafted Assembly Bill 483 (AB 483) to try and help the dairy industry react to the attempts of out-of-state purchasers of milk to lure farmers away from Wisconsin purchasers of milk. It is my belief if Wisconsin based companies are not given a chance to compete, they will not be able to get the milk needed to run at full capacity, thereby hurting their profit margins. In the long run, this could lead to some plants leaving the state.

It would be easy to say it should be illegal for out-of-state companies to continue to do business as usual in Wisconsin. However, because the U.S. Court of Appeals ruled in favor of Dean Foods, the Wisconsin Legislature has no power to stop out-of-state companies from paying the volume premiums they are paying.

AB 483 attempted to fix this problem. The bill passed the Assembly Agricultural Committee, 14-0, and further passed the full Assembly, 96-2. Unfortunately, the State Senate did not take action on this bill. This session I reintroduced the bill, which is now Assembly Bill 44 (AB 44). It passed the Assembly Agricultural Committee, 13-3, and the full Assembly, 83-16.

AB 44 puts into place the same kind of premium chart that has been successfully used for quality premiums. Go back to my previous illustration with farmer A and B. Lets clarify that cheese plant D was an out-of-state plant and approached farmer A to offer him a higher premium than farmer B. If AB 44 was law, cheese plant C could react to cheese plant D's offer by readjusting its premium chart. If cheese plant C chose to readjust the chart, it then could offer farmer A a higher premium. The big difference is that once cheese plant C readjusted the chart it would have to pay the same premium to farmer B and to all other farmers who shipped the same amount of milk that farmer A and B shipped.

Under AB 44, Wisconsin purchasers of milk would also be required to post its chart so farmers could pick and choose which purchaser could best serve their needs. Under AB 44, two neighbors shipping the same amount of milk to the same plant and on the same truck would no longer be paid different premiums.

Every premium program has had a struggle getting established. AB 44 would apply to all future premiums. If cheese plants want to pay based on the new cheese yield formula, they could once they developed a "cheese yield premium" chart. If a plant wanted to buy its milk from farmers with red barns, it could as long as it developed a chart.

AB 44 is an attempt to give DATCP a rule it can administer, a rule that allows Wisconsin purchasers of milk a level playing field and one farmers understand.



Wisconsin State Assembly

P.O. BOX 8952 • MADISON, WI 53708

September 25, 2001

Senator Hansen, Chairman
Senate Labor and Agriculture Committee
Room 319 South
Madison, WI 53702

Dear Senator Hansen and Members of the Senate Labor and Agriculture Committee,

Today you will hear testimony supporting AB 44. We, representing the Assembly Committee on Agriculture would like to join in this bipartisan effort. This legislation is a positive step forward for Wisconsin dairies.

When it comes to milk pricing, current law is unenforceable and creates an atmosphere of ambiguity. Producers have difficulty understanding pricing differences and buyers can easily manipulate the system.

Representative Ward's bill creates a schedule of purchase price for each premium and notices it publicly which was not done before. This bill adds flexibility to current statute by allowing premiums based on milk quality, volume, cheese yield, protein, butterfat and other criteria which suits the buyer's needs. It also lets Wisconsin buyers compete with out-of-state buyers while giving Wisconsin producers a fair price.

AB 44 is an attempt to provide DATCP with an enforceable rule, easily administered to level the playing field for farmers. Wisconsin's dairy industry supports this legislation as something they can work with. Without these changes, the industry will likely suffer.

Thank you for your support of AB 44, your effort is appreciated by Wisconsin agriculture.

Sincerely,

Rep. Al Ott, Chair
Assembly Agriculture Committee

Rep. Bobby Gronemus, Ranking Member
Assembly Agriculture Committee

Comments Regarding AB44
and Sec 100,22 of which it is a rewrite

1. AB44 is major legislation, it will be reported nationally, whether it passes or not.
2. Sec 100,22 is fairly good legislation except that it allows an absurd interpretation as evidenced by the administrative rule contrived to enforce Sec. 100,22 and negate the intent of Sec 100,22.
3. AB44 would make legal the distribution of monies to dairy farms without consideration of economic value, perhaps even to discriminate by race, religion, sex, and political affiliation.
4. Businesses making payments not based on real economic factors subject themselves and certain of those they do business with to ~~with~~ insolvency.
5. The major point of contention is the volume premiums being paid for milk, our dairy plants need milk from herds of all sizes in order to operate at a respectable level of efficiency, a large herd being of greater concern to the dairy plant obviously. However when payments are made in excess of the income that can be generated by the dairy plant on that milk, plant efficiency is of little concern. If a dairy plant expects to remain solvent it becomes necessary to cheat the smaller herds out of the

- profits generated from their milk, The result being that monies available for competitive payments are funneled to a select few at the expense of the rest.
6. A dairy plant that desires to pay for milk in an equitable manner is prevented from doing so on account of the milk that would move to a plant willing to skin their other patrons, leaving the honorable dairy plant short on milk. Meaningful competition between plants is therefore eliminated.
 7. Moisture in milk is only of economic value when sold for fluid consumption. The costs of transporting a product which is about 88% moisture of which most is a disposal expense for the cheese maker greatly eliminates distant markets.
 8. Dean Foods can pay more for milk because they deal mostly in fluid milk. They are free to procure milk from the farm rather than the Milk Cooperatives, however they devised an illegal volume premium in order to receive a warm welcome from certain farmers with badly inflated egos.
 9. The meeting competition clause in Sec 109.2 when correctly interpreted, is a moot point. The D.A.T.C.P. used the highest costs of procurement possible in their weird

nonsensical, convoluted computation of allowable volume premiums, it would be almost impossible for a dairy plant to have auditable costs of procurement higher than was used by the DATCP to arrive at a maximum volume premium of nearly 50¢ per Cwt. Higher premiums are to be proscribed, not met by the competitors.

10. It is unfortunate that the Attorney General was not provided with all pertinent information, by the DATCP, that was needed to properly defend Wisconsin interests in the Peans VS Wis. case.
11. Grade A milk moves freely between states because identical model legislation, (known as The Pasteurized Milk Ordinance) is passed into state law in every state. The U.S. Health Service Dept. of the US Food and Drug Administration either verifies or denies that the enforcement agency (The DATCP in Wis) is properly enforcing those state laws. The milk is not a federally inspected product and would move with great difficulty between states were it not for the identical state laws.
12. Grade A milk produced in Wis is done so only because of inspections done by and licenses issued by the DATCP of Wis, after the requirements of Chapter 60, and others, of the Wisconsin Administrative Code have

- been met on the dairy farm, Milk not meeting Wis requirements, will not be accepted as Grade A in any other state.
13. The license to produce milk is both site and operator specific. The milk cannot legally be moved to another location by the milk producer, milk moves at the behest of the receiving handler. A dairymen may be a licensed plumber, doctor, commercial truck driver, legislator or most any other vocation, including a licensed Weigher and Sampler (Milk Hauler) however responsibility for milk removed from the location of production is not any concern of the milk producer license holder unless authority is granted by a different type of license, however he is no longer operating as a milk producer while performing other duties.
14. The efficiency of the dairy plants milk route is enhanced by the smallest farm increasing production, much faster than by the largest farms increasing production. A farm producing 17,000 # of milk receives no volume premium. A farm producing 34,000 # would receive 5 cents per Cwt, at many dairy plants, for a total volume premium for the month of \$17.00. The costs of providing per stop services was cut in half on a per Cwt basis.

a farm shipping milk eligible for the DATCP maximum payment of 50¢ per cwt. would receive \$85.00 for increasing production 17,000# in addition to thousands of dollars of volume premium for the original quantity of milk shipped. A farm being paid a volume premium to meet competition from Dean's would receive an additional \$153,00 on the 17,000#.

The dairy plant may have to send 2 trucks to pick up the milk from the large farm while the smaller farms are picked up every 2nd or 3rd day. More damage is done to milk quality by moving it splash into an empty tank, than by making it wait a day before pickup.

15. The published prices for cheese milk in 2000 for California \$9.69, Wis. \$9.74 the 5¢ difference is mostly due to the fact that extra butterfat is of higher value in Wis than in Calif. Milk payments must be based on true economic factors if we expect to compete for ^{cheese} markets.

16. AB44 is not the way to fix problems in the administrative rule regarding enforcement of Sec 100.22. Vote NO. I will forward a better remedy at another time.

Thank You

James E. Tostenson

Jim Tostenson

Any diving professor that testified against Volume premiums would lose some large patrons they cannot afford to testify

Senate

**Committee on Labor and Agriculture
Senator Dave Hansen, Chair**

PAPER BALLOT

Date: March 1, 2002

Bill: Assembly Bill 44 -- Relating to authorizing the payment of different prices to producers for milk based on specified criteria.

Motion: Passage

Moved by: Hansen

Seconded by: Harsdorf

Aye: X **No:**


Senator Jim Baumgart

Please return to Senator Hansen's office (by messenger) by **5pm TODAY (3/1/02)**

Please call the Committee Clerk, Lisa Ellinger, at 266-5670 if you have any questions.

Senate

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Motion: Passage

Moved by: Hansen

Seconded by: Harsdorf

Aye: X **No:** _____

Sheila

Senator Sheila Harsdorf

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Senate

**Committee on Labor and Agriculture
Senator Dave Hansen, Chair**

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Motion: Passage

Moved by: Hansen

Seconded by: Harsdorf

Aye: ✓ **No:**



Senator Alan Lasee

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Senate

**Committee on Labor and Agriculture
Senator Dave Hansen, Chair**

PAPER BALLOT

Date: March 1, 2002

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Motion: Passage

Moved by: Hansen

Seconded by: Harsdorf

Aye: _____ **No:** _____



Senator Russ Decker

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