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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Agriculture...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)

Assembly

Record of Committee Proceedings

Committee on Agriculture

Assembly Bill 283

Relating to: an income and franchise tax credit for expenses related to operating a dairy farm.

By Representatives Ott, Gronemus, Ainsworth, Balow, Freese, Hahn, Hebl, Hines, Hubler, Hundertmark, Krawczyk, F. Lasee, Lassa, LeMahieu, Loeffelholz, McCormick, Musser, Olsen, Owens, Petrowski, Steinbrink, Towns, Turner, Van Roy, Vruwink, M. Williams and J. Wood; cosponsored by Senators Schultz, Decker, S. Fitzgerald, Hansen, Harsdorf, Kanavas, A. Lasee, Roessler, Stepp and Welch.

April 23, 2003 Referred to Committee on Agriculture.

May 15, 2003 **PUBLIC HEARING HELD**

Present: (13) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Plouff, Balow, Vruwink and Steinbrink.

Absent: (2) Representatives Gronemus and Hebl.

Appearances For

- State Representative Al Ott, 3rd Assembly District
- Mike Krutza, Farm Credit Services, Wausau
- Secretary Rod Nilsestuen, DATCP, Madison
- Will Hughes, DATCP, Madison
- Bill Oemichen, WI Federation of Cooperatives, Madison
- Ed Brooks, Foremost Farms, Reedsburg
- Bob Grabarski, Alto Dairy, Arkdale
- John Umhoefer, WI Cheesemakers Association, Madison

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Brad Legreid, WI Dairy Products Association, Middleton
- Paul Zimmerman, WI Farm Bureau Federation, Madison
- Daryll Lund, Community Bankers of Wisconsin, Madison
- Ron Statz, NFO, Prairie du Sac

- State Representative Garey Bies, 1st Assembly District
- State Senator Bob Welch, 14th Senate District
- State Senator Dale Schultz, 17th Senate District
- Rev. Sue Moline Larson, Lutheran Office for Public Policy

Registrations Against

- None.

May 15, 2003

EXECUTIVE SESSION HELD

Present: (13) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Plouff, Balow, Vruwink and Steinbrink.

Absent: (2) Representatives Gronemus and Hebl.

Moved by Representative Petrowski, seconded by Representative Suder that **Assembly Bill 283** be recommended for passage.

Ayes: (13) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Plouff, Balow, Vruwink and Steinbrink.

Noes: (0) None.

Absent: (2) Representatives Gronemus and Hebl.

(Representative Gronemus indicates that had she been present, she would have voted Aye on passage of AB 283.)

PASSAGE RECOMMENDED, Ayes 13, Noes 0



Beata Kalies
Committee Clerk

Vote Record

Committee on Agriculture

Date: 5/15/03

Moved by: Petrowski

Seconded by: Suder

AB 283 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

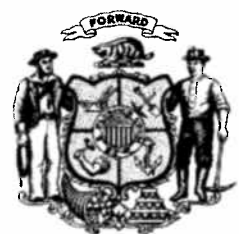
Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Steve Kestell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Joe Plouff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Larry Balow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Rep. Sternbrite</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>13</u>	<u>0</u>	<u>2</u>	<u>7</u>



WISCONSIN STATE LEGISLATURE



Testimony of Ed Brooks, Reedsburg, Chairman of Foremost Farms USA, on AB 283 at hearing of Assembly Committee on Agriculture, May 15, 2003

Good day, Chairman Ott and members.

My name is Ed Brooks and I operate a dairy farm at Reedsburg, currently milking 50 head of Brown Swiss. In that regard, I'm very traditional in size of operation and reflect what **still is** a state consisting mostly of smaller dairy operations. I have been chairman of the Board of Foremost Farms USA for 13 years. I have served on the WFC Board of Director for 16 years and have been chairman for 4 years. Among my other activities, I have been chairman of the town of Reedsburg for 18 years.

I salute the legislators who have signed onto AB 283 to date. It demonstrates a knowledge that Wisconsin will need to forge stronger partnerships with its dairy producers if we are going to stabilize and grow our milk production and overall dairy industry. The 10 percent **dairy investment tax credit** is an important part of a package of legislative items that WFC and others hope to advance to ensure that this remains "Wisconsin's Dairyland."

I truly believe that the prospect of a tax advantage will encourage many to make the investment to upgrade facilities and equipment. The conservative nature of most of Wisconsin's farmers has meant that only about ten percent of us dairy producers have modernized much of our facilities and equipment. Adoption of new technology has **not** been something that is readily visible in the Wisconsin countryside – though we all see the producers who have really stepped forward with major projects and investments – occasionally too much, too fast.

I view AB 283 as a means of helping some make the commitment that they might not otherwise make to modernize - to stay in dairying - and to have a modern and efficient facility for their family member, neighbor or other "next generation" person to

operate when the time comes to exit a challenging, satisfying and often misunderstood profession.

The beauty for the state now is that despite the terrible budget deficit you face, enactment of this bill will have little impact on the state treasury at a time that most of us have no tax liability. Of course, strengthened milk prices will lead us to a point where qualifying for the credit will mean some short-term impact on the state treasury. But I believe that in the long run, increased opportunity for income and real property valuation will mean that this proposal can become a “**cash cow**” for the treasuries of the state and local governments.

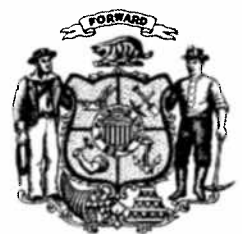
Skeptics ask why support something that should lead to more milk production when there currently exists a national and international surplus of milk production for the established markets. My answer is that **in Wisconsin** we can not continue to compete with the growth areas of dairying when we primarily have the bulk of our producers operating in outdated and inefficient facilities. Wisconsin can give its producers an advantage when we stimulate investment through targeted programs and public policies that the others don't have.

I could not come before you today without acknowledging the difficult decision my cooperative made recently when it decided to close four Wisconsin facilities. As a producer, this is especially hard. But the primary fact that drove the decisions was the inability of Wisconsin's dairy industry to sustain and grow milk production over the last couple of years. We should do everything possible (and affordable) as a state to address the situation with creative answers and get on with working together to ensure that we have the production for our plants.

Thank you for your attention and interest. I'll attempt to answer any questions you might have.



WISCONSIN STATE LEGISLATURE





Wisconsin Federation of Cooperatives

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May 15, 2003

TO: Rep. Al Ott, Chair and Members,
Assembly Agriculture Committee

FROM: Bill Oemichen, President & CEO *Bill Oemichen*
John Manske, Government Relations Director *JM*

RE: **Assembly Bill 283 - Dairy Investment Tax Credit**

Thank you for allowing the Wisconsin Federation of Cooperatives (WFC) the opportunity to express our strong support for AB 283, the Dairy Investment Tax Credit. Today I am joined by Ed Brooks, the dairy producer chair of the Foremost Farms USDA Board of Directors and Bob Grabarski, the dairy producer Vice Chair of the ALTO Cooperative Board of Directors. Ed and Bob will inform you about how the difficulties being faced by Wisconsin dairy producers have impacted their cooperatives and the news is certainly not good. FCS Financial Services CEO Mike Krutza has already explained why he believes this bill is necessary and we are grateful for his visionary leadership.

The Dairy Investment Tax Credit bill meets a vital need for our state's struggling dairy industry. Our bill provides an economic incentive to Wisconsin dairy producers, regardless of size, to modernize their dairy operations. Unfortunately, the average age of our dairy facilities dates back to the mid-1960's and this negatively impacts our state's relative competitiveness. This diminishing competitiveness is demonstrated by a series of charts produced by the Federal Milk Marketing Administrator (Market Administrator) in Shawnee Mission.

The text with the chart on page two notes that U.S. 2002 milk production increased 2.6% over 2001, and Wisconsin's milk production fell .6% over 2001. As noted by the chart on page two, Wisconsin lost 9.5% of its milk production, while California gained 66.5%, New York gained 10.4% and Pennsylvania gained 8.5%. Unfortunately for the Upper Midwest, Minnesota also lost 15.7% of its milk production since 1990. This milk production loss in our state has placed severe stress on our dairy infrastructure as we lose producers, their milk, and now dairy plants because of the inability to obtain sufficient milk to run our plants efficiently.

The two charts on page six note that our state ranks low in production per cow at number 26. The number one state is Arizona and it is the home to many of the newest dairy operations. Our low ranking is due in large part to the age of our facilities.

Ten years ago, Wisconsin accounted for fully 16% of the nation's milk production. Now, we account for 13%, with 1.27 million cows producing 22.1 billion pounds of milk.

Overall, This legislation has a cost to the state and these are difficult times. However, the cost only occurs if the modernization occurs and brings forth additional income, property and sales tax revenues. Without this modernization, the Legislature will unfortunately have more years like this year where projected state expenditures exceed projected state revenues. We want to be a part of the state's fiscal solution, but our state's 16,623 dairy producers need this tax credit to offset part of the cost of modernizing.

WFC is moving forward with our 2003 Legislative Agenda to bring renewed vitality to Wisconsin agriculture and our state's vitally important dairy industry. Of course, our initiatives are limited by the state's difficult budget situation that is more than matched, unfortunately, by the state dairy industries' extremely difficult budget situation. Our WFC initiatives include:

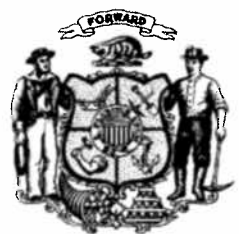
- (1) **A Dairy Investment Tax Credit** to provide an economic incentive for dairy farm modernization;
- (2) A new **Wisconsin Rural Finance Authority** to provide low interest loans to producers and rural economic enterprises and to reform existing state programs currently housed at WHEDA;
- (3) **Cooperative Health Care Purchasing Alliances** to provide quality, affordable health care for cooperatives and their producer members so that the producers do not have to make the choice between dairy farming or "working in town" to obtain health insurance (the cooperatives could include rural small businesses as well); and
- (4) A second **Wisconsin Cooperative Law** for new value-added cooperatives that allows for limited outside investment in return for limited voting rights.

We also support legislation expanding the application of Use Value Assessment and creation of rural TIF districts to finance public improvements needed as a result of dairy farm modernization.

Please give our dairy industry a shot in the arm by advancing this important bill. Thank you for your consideration.



WISCONSIN STATE LEGISLATURE





**STATE OF WISCONSIN
OFFICE OF STATE REPRESENTATIVE BARBARA GRONEMUS**

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May 19, 2003

Representative Al Ott
Chairman – Assembly Committee on Agriculture
Room 318 North, State Capitol
Madison, WI 53708

Mr. Chairman and Dear Al:

Due to continuing medical and physical problems I was unable to be present at the Executive Session of the committee on May 15, 2003

In accordance with Assembly Rule 11(5)(b), I wish the committee record to reflect that had I been present I would have voted as follows on the following bills:

Assembly Bill 283 relating to an income and franchise tax credit for expenses related to operating a dairy farm. **COMMITTEE RECOMMENDATION FOR PASSAGE: AYE.**

Assembly Bill 284 relating to the requirement that operators of fish farms provide evidence of fish health and granting rule-making authority. **ADOPTION OF ASSEMBLY AMENDMENT 1: AYE; COMMITTEE RECOMMENDATION FOR PASSAGE (AS AMENDED BY AA1): AYE.**

Thank you for your cooperation in regard to this request.

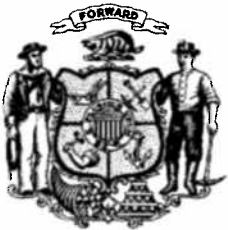
Sincerely,

BARBARA GRONEMUS
State Representative – 91st Assembly District
Ranking Member – Committee on Agriculture

BG/wrc



WISCONSIN STATE LEGISLATURE



Assembly Republican Majority

Bill Summary

AB 283: Dairy Investment Tax Credit

Relating to: an income and franchise tax credit for expenses related to operating a dairy farm.

By Representatives Ott, Gronemus, Ainsworth, Balow, Freese, Hahn, Hebl, Hines, Hubler, Hundertmark, Krawczyk, F. Lasee, Lassa, LeMahieu, Loeffelholz, McCormick, Musser, Olsen, Owens, Petrowski, Steinbrink, Towns, Turner, Van Roy, Vruwink, M. Williams and J. Wood; cosponsored by Senators Schultz, Decker, S. Fitzgerald, Hansen, Harsdorf, Kanavas, A. Lasee, Roessler, Stepp and Welch.

Date: November 12, 2003

BACKGROUND

Currently, Wisconsin's dairy industry is the state's single largest business, representing more than \$3.5 billion in gross farm receipts and a combined economic impact of over \$18 billion per year. However, there are tremendous pressures on Wisconsin's dairy industry due to increased milk and cheese production in western states and record low milk prices.

The average age of our state's dairy facilities dates back to the mid-1960's, which negatively impacts our state's relative competitiveness. Wisconsin dairy farms are aging and incentives are needed to encourage modernization and grow the industry.

SUMMARY OF AB 283

Assembly Bill 283, creates an income and franchise tax credit equal to 10% of the amount a claimant paid for eligible expenses associated with modernizing or expanding a dairy operation. The credit applies to taxable years 2004 to 2009. The total amount of credit per claimant is capped at \$50,000. The credit may be carried forward for up to 15 years, but is not refundable. Individuals are eligible, but partners, members of limited liability companies, and shareholders of tax-option corporations may also claim the credit in proportion to their ownership interest.

Eligible expenses include the construction, improvement, or acquisition of buildings, facilities, or equipment used for dairy animal housing, confinement, feeding, milk production and waste management. The bill specifies that the following are eligible expenses if its use is related to dairy animals: free stall barns, fences, watering facilities, feed storage and handling equipment, milk parlors, robotic milkers, scales, milk storage and cooling facilities, bulk tanks, manure pumping and storage facilities, digesters, and equipment to produce energy.

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue, indicates a \$5.7 million annual decrease in existing revenue. The department also estimates an annual cost of \$73,900 to administer the credit (with the addition of 1 FTE) and a one-time cost of \$18,500 for computer programming. The actual fiscal impact will vary depending on number of participants and extent of the investment made. The fiscal note does not address the potential increase in revenue (sales tax) due to investment, or the potential increase in income tax revenues due to increased profitability once modernization is completed.

PROS

1. Assembly Bill 283 would provide a boost to Wisconsin's dairy industry by targeting investment incentives to the essential elements of dairy modernization.
2. Assembly Bill 283 would encourage dairy producers to undertake needed investments, which will improve profitability and provide the necessary milk production needed to sustain our processing infrastructure.
3. This bill would induce investment and help revamp the industry to increase efficiency and profitability amid global competition.
4. Assembly Bill 283 is size neutral. The incentive would be available to *any* dairy farmer who chooses to invest in their operation.
5. Dairy producers who choose to modernize and become more profitable, will ultimately contribute more state tax revenue.

CONS

1. There would be short-term decrease in state income and franchise tax revenue for the state.

SUPPORTERS

Rep. Al Ott, author; Sen. Dale Schultz, lead co-sponsor; Mike Krutza, Farm Credit Services; Secretary Nilsestuen, DATCP; Will Hughes, DATCP; Bill Oemichen, Wisconsin Federation of Cooperatives; Ed Brooks, Foremost Farms; Bob Grabarski, Alto Dairy; John Umhoefer, Wisconsin Cheese Makers Association; Brad Legreid, WI Dairy Products Association; Paul Zimmerman, WI Farm Bureau Federation; Daryll Lund, Community Bankers of Wisconsin; Ron Statz, National Farmers Organization; Rep. Garey Bies; Sen. Bob Welch; and Rev. Sue Moline Larson, Lutheran Office for Public Policy.

OPPOSITION

No one registered or testified in opposition to Assembly Bill 283.

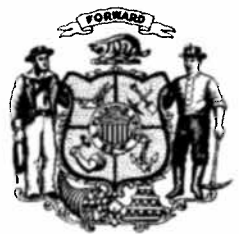
HISTORY

Assembly Bill 283 was introduced on April 23, 2003, and referred to the Assembly Committee on Agriculture. A public hearing and executive session were held on May 15, 2003 where the Committee voted 13-0-2 [Reps. Gronemus and Hebl were absent] to recommend passage of AB 283.

CONTACT: Erin Napralla, Office of Rep. Al Ott



WISCONSIN STATE LEGISLATURE



Testimony of

Rod Nilsestuen, Secretary
Wisconsin Department of Agriculture, Trade and Consumer
Protection

Chairman Ott, and members of the Committee, thank you for the opportunity to testify today on AB 283. I applaud Representative Ott, and the numerous co-sponsors of the bill, for taking the lead to help with the tremendously important dairy modernization process.

Before speaking to the merits of the legislation, let me speak to the commitment by the Governor to economic development and agriculture's role.

After balancing the budget without raising taxes, the Governor's next highest priority is growing Wisconsin's economy. That is the long-term solution not only for the health of the state's finances but also for the wealth of our citizens.

Every cabinet secretary at every cabinet meeting is asked what his or her agency can do to foster long-term sustainable economic development. In essence, the Governor will hold each agency accountable for actions that can be taken to grow Wisconsin's job base, wealth base and industry base. And, a critical industry base is agriculture.

In response to the Governor's economic development initiative, I have put together a comprehensive list of actions that we can take at the state and federal level to keep agriculture a core of Wisconsin's economy. First on my list, however, is to focus intensively on our dairy industry.

Wisconsin dairy farmers and the dairy industry need a shot in the arm right now. AB 283 provides this boost by targeting investment incentives to the essential elements of dairy modernization. The eligible incentives are accessible by all farmers who choose to invest in dairy farming whether they are grazers, traditional red barn incrementalists or new turnkey facilities.

We all know the importance of the dairy industry to Wisconsin and its economic future. It touches every county and every citizen. Every dairy cow adds \$2300 a year to the economy and \$550 to the tax base. Overall the dairy industry generates \$2.1 million per hour for our state.

There are tremendous pressures on the dairy industry both structurally -- caused by the increased milk and cheese production in the western states -- and, the current low milk price situation.

These issues have been studied well and documented extensively. We can no longer afford to study and document -- we must take action to grow our dairy industry, keep our infrastructure in place and keep dairy a vital core of Wisconsin's economy.

AB 283 assists dairy farm families to implement business plans and needed investments that will improve profitability and to provide the necessary milk production base for the future. We know that modernization works. We know that grazing works. We know that many different production systems and farm styles work and that they all require investments of the likes targeted under AB 283. We know that Wisconsin dairy farmers can be competitive if given a fair shake.

AB 283 will not be enough on its own to solve all dairy industry challenges. But, it is a concrete tool that can make an important difference in turning around the dairy business climate.

While finding money in the state budget is extremely difficult right now, this program is targeted and capped per farm, of limited life and traceable to ensure that the state investment realizes good returns. While there is likely to be a fiscal impact in the short run, remember that dairy farmers have to have income to obtain the credits. Dairy farm income is running extremely short right now and modernization is one way to improve income.

Analysis by Bruce Jones at UW-Madison shows that the extra income generated from eligible investments can generate extra taxes in out years to offset the cost of tax credits in the early years, and that an extra \$1 in farm income results \$1.50 in nonfarm income. We need to accelerate modernization to accelerate income growth in dairy and rural economies.

As Secretary, helping the state lead a comprehensive effort to reinvigorate and grow the dairy industry is the highest priority. This effort will take work on federal policy initiatives, such as milk protein concentrates and income safety nets, but also state resolve on land use and siting, bio security and other dairy modernization tools such as finance, risk management and business planning. I have said many times that I look at the dairy challenge as somewhat comparable to Detroit vs. Japan in automobiles. Through innovation and investment and good strategy the situation can be turned around.

In his speech to the Professional Dairy Producers of Wisconsin, Governor Doyle said that "we cannot afford and we will not allow our dairy industry fall behind". In my capacity in this administration, I will do everything reasonably within my power to grow a healthy dairy industry.

In the DATCP Board meeting on Tuesday, after a public appearance on the recent plant closing by Foremost Farms, board members were talking about what big news, and what big state attention, would have occurred if it were plant closing in Milwaukee by Harley Davidson. But even with as many jobs and as big a loss to communities, the call to action is significantly less. We can change this picture.

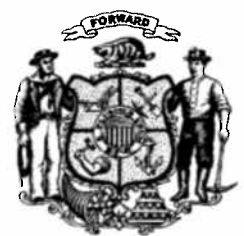
Today there are over 16500 dairy farm businesses spread across the length and breadth of Wisconsin. They support a world-class infrastructure and comprise the foundation of our \$40 billion food industry, which employs one in five Wisconsinites. Can you think of any other kind of industry we might attract to the state, whether high or low tech, which would have the economic potential of dairying? Yet dairying, our state's signature industry is at a true crossroads.

AB 283 is a call to action. Both dairy farmers and dairy processors are hurting right now. Passage of the investment tax credit will help significantly to induce needed investments for dairy modernization and it will signal to the dairy infrastructure, to our citizens, and to the world, that dairying is welcome and encouraged in Wisconsin. Governor Doyle supports this initiative as well. I encourage your prompt action to pass this bill.

Again, thank you for the opportunity to testify. I look forward to working with you on this and other actions that taken together will make Wisconsin dairy competitive.



WISCONSIN STATE LEGISLATURE



**\$1 Billion Rural Economic
Stimulus Package for Wisconsin**

**"MODERNIZING WISCONSIN'S
DAIRY INDUSTRY"**



Presented By Michael Krutza, CEO FCS North Central Wisconsin
Reprint of testimony presented to Joint Committee on Finance, April 4, 2001

November, 2002



***\$1 Billion Rural Economic Stimulus Package for Wisconsin
"Modernizing Wisconsin's Dairy Industry"***

Presented to
Joint Committee on Finance
(Brian Burke, Senate Chair / John Gard, Assembly Chair)

Public Hearing, Marshfield, WI
Wednesday, April 4, 2001

Presented By Michael Krutza, CEO FCS North Central Wisconsin

Background

Wisconsin's dairy industry is the state's single largest business representing more than \$3.5 billion in gross farm receipts and a combined economic impact of \$17 billion on Wisconsin's economy. The dairy industry is in danger of losing its farmers and the infrastructure needed to continue if modernization doesn't occur. New thinking is needed to create a new strategy to grow this economic engine of Wisconsin.

In 1996, the Dept of Commerce created a business planning grant program, which has singularly influenced modernization more than any other effort. More than 600 farm families in Wisconsin have professionally developed and evaluated business plans to help them determine if they should modernize. This is critically important since an estimated 90% of Wisconsin's dairy farmers have not adopted proven technologies of milking parlors and freestalls, which have been available since the mid-1960's. The impact of these 600 farm families modernizing represents significant economic growth for Wisconsin rural communities. Assuming an average herd size after modernization of 100 cows, these farm families represent approximately \$180⁽¹⁾ million of cash receipts. According to Dr. Larry Swain, UW River Falls, the \$180 million cash receipts of these modernized farmers represent approximately \$450⁽²⁾ million to the local communities. **Clearly, dairy farm modernization is key to rural economic development in Wisconsin.** Furthermore, according to Ohio State University, analysis reveals that producers need to grow their herds by 60% nearly every 10 years to keep pace with inflation.

In 1997, Farm Credit Services of North Central Wisconsin conducted research on the results of farmers using the Dept. of Commerce early planning grant program. That study showed that farmers ROA, net operating rate, break even cost per CWT improved regardless of the farm operations size. While this grant program was a positive first step at the producer level, even more needs to be done. Wisconsin's alarming low adoption of the proven technologies of parlors and freestalls since the mid-1960's is tragic. There is little evidence that farmers are adapting the proven technologies albeit parlors, freestalls, or rotational grazing at a pace necessary to create a thriving dairy industry in Wisconsin.

This proposal addresses ways which the legislature, the Governor, farmers and industry can build on common ground, yet advance new thinking and solutions to modernizing Wisconsin dairy industry.

Recommendations

Leadership/Vision

There is a need for a hopeful vision for the industry staking out the importance of the industry to all of Wisconsin's citizens. This can best be lead by the Governor.

Therefore, we propose the Governor with the support of the Secretaries of DATCP, Commerce and DNR should state the bold vision of **growing Wisconsin's dairy industry from its current level of \$17 billion to \$25 billion by 2010.**

Furthermore, the Governor would ask the respective secretaries to marshal all necessary resources within their departments to achieve this vision in a way which is environmentally sound and supports the economic interests of all the stakeholders. As a means to accomplish this vision, the following proposals are offered for consideration.

1. Educational Support

The billions of dollars spent on the state's high school, technical schools and university systems since the 1960's has had little apparent impact on the adoption of basic technologies for the state's dairy industry evidenced by less than 10% of Wisconsin dairy farms using parlors and freestalls. New thinking and new strategies are needed.

*The **curriculum** of Wisconsin teaching institutions in the business courses should ensure all students receive competency certification in business skills of managing for return on assets, return on equity and understanding break even cost of production. Deans, administrators and leaders within the states educational system would be encouraged to think differently about impacting the state's rural population in terms of technology adoption. The states initiative for Biotech adoption for the future faces an uncertain fate if the strategies of the past technology adoption aren't changed.

***Tuition credit assistance** should be offered similar to athletic and academic scholarships for the next 5 years to persons who successfully complete continuing education in the area of business or agriculture and returns to production agriculture. Tuition credit would be granted based on the years the individual returned to production agriculture. Additionally, the legislature should increase funding allocations for programs within the Dept. of Commerce, which provide for professional planning assistance to producers.

The estimated reinvestment cost could be \$6 million annually for tuition assistance, assuming 2000 individuals @ \$3,000 tuition costs. Assuming these 2000 farmers go from 60 to 150 cows, the economic impact exceeds \$1.3 billion annually to the State economy⁽³⁾.

2. Support reinvestment in plant, equipment and technology

Creating a \$25 billion dairy industry in Wisconsin by 2010 presented a need to reinvest in the family farms, the processing industry and all of the attendant infrastrure. Most

notably will be the need to invest in parlors, freestalls, environmental support systems, and the grazing sectors. Therefore, we propose Wisconsin government provide investment tax credits for the next 5 years to family owned dairy farms to stimulate this needed reinvestment. **The investment tax credits would be directed to plant and equipment associated with the modernization of the farm, with special attention to parlors, freestalls, new grazing technologies and adoption of environmental practices.**

Supporting Wis. Dairy Industry is Good Economic Development

Renewal and reinvestment in Wisconsin's dairy industry is good economic development. Modernizing only 10% of Wisconsin farms would generate annually an additional \$540,000,000 of gross farm receipts to farmers and represent nearly \$1.3 billion to the local communities of Wisconsin⁽³⁾. The additional income tax and sales taxes generated by a growing dairy industry could well exceed \$50 million in additional state tax revenue annually.

At a time of a structural deficit, this proposed \$1 billion economic stimulus package makes perfect economic sense while strengthening the social fabric of Wisconsin's rural economy. Modernizing Wisconsin dairy industry is not only sound economic development, it's the right thing to do.

Note—this proposal is supported by the Wisconsin Federation of Cooperatives and part of the legislative agenda for WFC

Addendum to Legislature Proposal

⁽¹⁾ 60 to 100 Cows. $100 \text{ cows} \times \$3,000/\text{cow} = 300,000/\text{sum} \times 600 \text{ farms.}$
 $300,000 \times 600 = \$180 \text{ million}$

⁽²⁾ $\$180 \text{ million} \times 2.5 = 450 \text{ million in community (community multiplier created by Dr. Swain research)}$

⁽³⁾ 2000 / 10% modernize 2000 farms increase from 60 to 150 cows
Today: $2000 \times 60 \text{ cows} = 120,000 \text{ cows} \times \$3,000/\text{cow} = \$360 \text{ million cash \& } \$900 \text{ million to community.}$
If modernized: $2000 \times 150 \text{ cows} = 300,000 \text{ cows} \times \$3,000/\text{cow} = \$900 \text{ million cash \& } \$2,250 \text{ to community. } 1.350 \text{ billion.}$

Modernizing 10% of Wisconsin Dairy Farms Represents \$1 Billion in Economic Growth to State

	Tenets	Comments/Assumptions
Economic Value	<p>Dairy industry represents \$3.5 Billion cash receipts represent economic values of \$17 billion from 20,000 dairy farmers and all support industry.</p>	<p>Information by UW System, Department of Commerce & Department of Agricultural Trade and Consumer Products representing total economic value.</p>
	<p>The average herd size in Wisconsin is approximately 60 cows. Average milk sales is \$2,400 plus \$600 non-milk sales, totaling \$3,000 income/cow. The economic value, therefore of 60 cow herd is 60 cows x \$3,000 income = \$180,000 of cash receipts.</p> <p>The economic value of these cash receipts in the <u>local</u> community is approximately \$450,000 (\$180,000 x 2.5).</p>	<p>Survey research by Dr. Larry Swain, UW River Falls, regarding purchasing behaviors of farmers in local communities</p>

Technology Adoption	<p>Modernization has not occurred in terms of adopting parlors and freestalls by the farmer since 1960's.</p>	<p>Based on Wisconsin Statistical Reporting Service indicating 90% of Wisconsin herds are less than 100 cows.</p>
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Modernizing 10% of Wisconsin Dairy Farms Represents \$1 Billion in Economic Growth to State

Economic Value Average 60 Cow Dairy Farm in Wisconsin

- 60 Cow Profile
- Average production 18,000 milk
- \$1,000 debt/cow – 10% Interest/10 yr. Amortization = \$200/yr. Payment/cow = \$1.11/cwt
- Cost of Production

\$10.00 variable	
<u>1.11 capital</u> - \$1,000 debt/cow	
\$11.11	

- If milk priced \$13 then profit margin per cwt is \$1.90. $\$1.90/\text{cwt} \times 180 \text{ cwt} = \342
 Profit/cow. $\$342 \times 60 \text{ cows} = \$20,520$
 Net income

State Tax Income	
Income Tax 5%	\$1,025
RE Tax	\$7,500
\$250,000 Assessed Value	
Sales Tax 5% \$20,520 =	<u>\$1,025</u>
<u>Farmer Paid Taxes</u>	<u>\$9,525</u>
	<i>(Approx. \$160/cow)</i>
Sales Tax \$450,000	\$22,500
<u>Farmer Paid Tax</u>	<u>\$9,525</u>
TOTAL LOCAL STATE TAX REVENUE	\$32,025
	<i>(Approx. \$534/cow)</i>
- Gross Income 60 cows @ \$3,000/cow gross \$180,000
- Economic Value to Community (2.5 x gross) \$450,000

Modernizing 10% of Wisconsin Dairy Farms Represents \$1 Billion in Economic Growth to State

Economic Value of Average 150 Cow Dairy Farm After Modernization in Wisconsin

<ul style="list-style-type: none"> ▪ 150 Cow Profile (Post Modernization) ▪ Average production 20,000 milk ▪ Cost of Production \$9.00 variable cost/cwt <u>3.00 capital/cwt - \$3,000 debt/cow</u> \$12.00 Total Cost/cwt 	<ul style="list-style-type: none"> ▪ Profit @ \$13 = \$1.00/cwt x 200 \$200/cow 150 x \$200/cow = \$30,000 	<ul style="list-style-type: none"> State Tax Income 5% Income Tax \$1,500 RE Tax \$9,000 \$300,000 Assessed Value
<ul style="list-style-type: none"> ▪ Gross Income 150 cows @ \$3,000/cow gross \$450,000 	<ul style="list-style-type: none"> Sales Tax 5% \$30,000 = <u>\$1,500</u> Local Farmer Paid \$12,000 	<ul style="list-style-type: none"> Sales Tax 5% x 1,125,000 <u>\$56,250</u>
<ul style="list-style-type: none"> ▪ Economic Value to Community \$1,125,000 	<ul style="list-style-type: none"> TOTAL LOCAL & STATE TAX REVENUE \$68,250 (\$455/cow) 	
<ul style="list-style-type: none"> ▪ <u>Incremental Value after Modernization</u> \$1,125,000 - \$450,000 = <u>\$675,000 to community</u> 		

Proposed 5% Investment Tax Credit

Profile 60 cows growing to 150 cow operation with parlor and freestall.

Total new inventory:

Parlor	\$ 75,000 (double 8 parallel in barn)
Freestall	\$150,000
Cows	\$130,000
Misc. Equip.	<u>\$ 30,000</u>
	\$385,000 – TTC Base \$255,000

5% Income Tax Credit \$12,750

Modernizing 10% of Wisconsin Dairy Farms Represents \$1 Billion in Economic Growth to State

Impact of Stimulating 2000 (10% of Wisconsin Dairy Farmers) to Modernize

<u>60 Cows</u>	to	<u>If Modernized 150 Cows</u>	<u>Difference</u>
Gross	\$180,000	\$ 450,000	
Community Economic Value	\$450,000	\$1,125,000	
2000 Farms x \$450,000	\$900,000	\$2,250,000,000	<u>\$1.35 Billion</u>
2000 State/Local Tax	\$64 Million	\$136.5 Million	↑ \$72.5 Million Sales/Income/RE

Modernizing 10% of Wisconsin Dairy Farms Represents \$1 Billion in Economic Growth to State

Economic Impact

	<u>60 Cows</u>	<u>150 Cows</u>	<u>With Proposed State ITC</u>
Income Per Cow	\$ 342	\$ 200	
Personal Income	\$20,520	\$30,000	\$9,480 Family Income
State Income Tax	\$ 1,025	\$ 1,500	<\$1,500> \$12,750 ITC
RE Tax	\$ 7,500	\$ 9,000	
5% Sales Tax on Personal Income	\$ 1,025	\$ 1,500	
Farm Tax Paid	\$ 9,550	\$12,000	\$10,500
Gross Farm Income	\$180,000	\$ 450,000	
Economic Value To Com. 2.5	\$450,000	\$1,125,000	\$675,000
Sales Tax on \$450	\$ 22,500	\$ 56,250	\$ 33,750
Tax Generation	\$ 32,050	\$ 68,250	\$ 36,200
Tax Gen/Cow	\$ 534	\$ 455	

Added investment parlor \$75,000 Dbl. 8; 150 freestall \$150,000; Cows \$130,000;
Equipment \$30,000

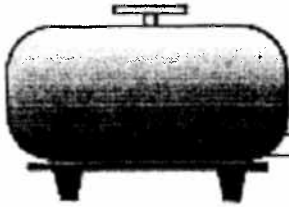
ITC Base \$255,000

5% ITC \$12,750 Annual Credit to State Income Tax



WISCONSIN STATE LEGISLATURE





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BULLETIN

2002 Milk Production

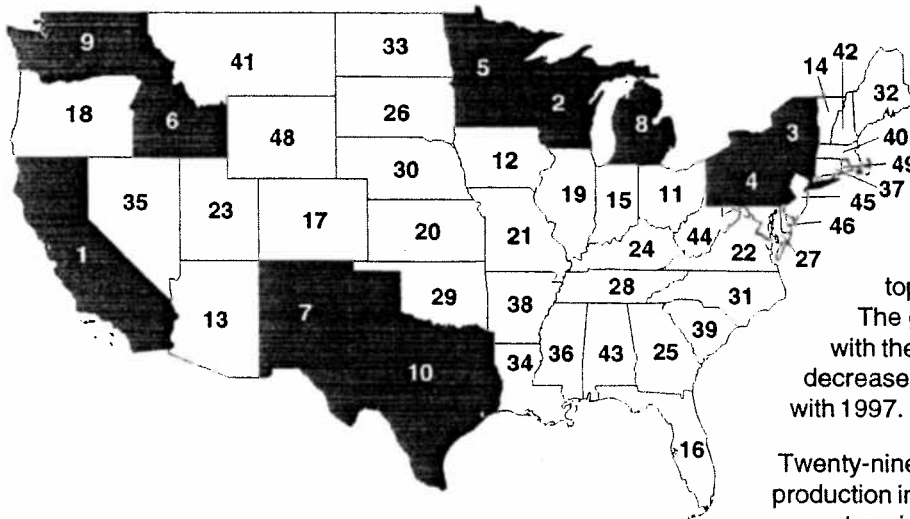
U.S. milk production during 2002 increased 2.6% compared with 2001, climbing to a record 169.8 billion pounds. The 2002 total is 1.3% greater than the previous record of 167.6 billion pounds produced during 2000. Milk production has exceeded

year earlier levels during five of the last six years, with the lone exception occurring during 2001. Production in the U.S. has increased by 13.7 billion pounds over the past five years (2002 versus 1997), a gain of 8.8%.

Kansas, Alaska and Oregon recorded the largest annual percentage gains compared with 2001, with milk production increasing by 24.8, 23.1, and 21.9%, respectively. New Mexico (+13.6%), Arizona (+11.6%), Colorado (+9.6%), Idaho (+5.1%), and California (+5.0%) were the other states that registered annual milk production increases of 5.0% or more.

Conversely, 6 states reported annual decreases of 5.0% or more, with South Dakota's 11.1% decrease being the largest milk production loss. Other states posting declines of more than 5% were North Dakota (-9.2%), Arkansas (-9.0%), Hawaii (-8.5%), Louisiana (-8.1%), and Alabama (-7.7%).

2002 Milk Production Ranking Top Ten States Highlighted



The map on this page ranks milk production by state for 2002, with the top ten milk producing states shaded. The graphics on page 4 depict the states with the largest percentage increases and decreases in milk production comparing 2002 with 1997.

Twenty-nine states registered annual milk production increases during 2002, with the percentage increases averaging 5.2%. Twenty

states posted production decreases, with the percentage decreases averaging 4.0%. Nevada was the only state with 2002 milk production identical to 2001. Fourteen states recorded increases greater than 2.0%, while twelve states recorded milk production decreases of 2.0% or more during 2002.

Twenty-five states recorded milk production increases comparing 2002 with 1997. The average percentage increase for these states was 16.0%; however, only nine states posted increases larger than the 25-state percentage average. These nine were New Mexico (+57.5%), Idaho (+57.0%), Kansas (+56.4%), Oregon (+30.0%), Arizona (+28.7%), Colorado (+28.6%), California (+26.5%), Indiana (+18.8%), and Alaska (+17.9%). The only other states to post double digit increases compared with 1997 were Montana (+15.6%) and Nebraska (+12.5%).

Twenty-four states recorded production decreases between 1997 and 2002, with an average percentage decline of 15.6%. New Hampshire was the lone state to record identical milk production during 1997 and 2002. Twelve states recorded decreases greater than the average percentage loss. These were:

Arkansas	-38.1%	Alabama	-33.7%	Rhode Island	-28.2%	Louisiana	-26.8%
Mississippi	-24.6%	Wyoming	-24.3%	Hawaii	-21.3%	New Jersey	-21.1%
Tennessee	-18.3%	North Dakota	-18.0%	Missouri	-17.6%	Massachusetts	-16.8%

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The graph at the right depicts annual milk production since 1990 for the nation's top five milk producing states. California (+5.0%) and New York (+3.7%) posted increases during 2002 compared with the previous year, while Wisconsin (-0.6%), Pennsylvania (-0.7%), and Minnesota (-4.0%) all registered production losses. California was the only state to record a production increase each year during this period—increasing production by 66.5% compared with 1990. New York (+10.4%) and Pennsylvania (+8.5%) also posted increases compared with 1990, while Wisconsin (-9.5%) and Minnesota (-15.7%) both recorded decreases in milk production during this time period.

The map on page 6 provides a ranking of states based on 2002 milk production per cow. California, Idaho, Michigan, New Mexico, and Washington are the only states ranked in the top ten in both total milk production and production per cow. California's 2002 per cow production of 21,180 pounds ranked fourth in the U.S., making it the only top five state with production per cow above the 2002 national average of 18,571 pounds. Pennsylvania's 18,419 pounds per cow production fell just short of the national milk per cow average.

2002 Per Capita Milk Production

Per capita milk production is a data series presented annually in this Bulletin. A comparison of this series to per capita consumption data may reflect the aggregate supply and demand balance for individual states and regions throughout the U.S. The table on page 7 details and compares per capita milk production by state for 2002, 2001, and 1997. This table lists the states in descending order based on 2002 per capita production. The states with per capita production of more than 600 pounds are inside the shaded area of the table. Six of the top ten states in total production are also in the top ten in per capita production. These six are California, Idaho, Minnesota, New Mexico, Washington, and Wisconsin.

Data used in these calculations indicates that per capita production for 2002 was up 8.7 pounds (+1.5%) compared with 2001. Twenty-three states reported annual per capita increases during 2002, the largest being Kansas with a gain of 24.2%. Alaska (+21.2%), Oregon (+20.2%), New Mexico (+12.1%), Arizona (+8.5%), and Colorado (+7.8%) were the only other states with increases of five percent or greater. South Dakota recorded the largest per capita production decline during 2002, with a loss of 11.5%. Hawaii (-9.8%), Arkansas (-9.5%), North Dakota (-8.8%), Louisiana (-8.3%), Alabama (-8.0%), and Florida (-5.2%) were the other states with decreases of five percent or more compared with 2001.

Per capita production for the U.S. increased by 5.7 pounds, or +1.0%, between 1997 and 2002. Fourteen states recorded increases in per capita milk production, led by Kansas's gain of 49.8%. New Mexico (+46.3%), Idaho (+41.6%), Oregon (+19.7%), California (+15.9%), Indiana (+13.2%), Montana (+11.7%), Alaska (+11.6%), and Colorado (+11.1%) were the other states to post per capita increases of ten percent or more comparing 2002 with 1997. Arkansas, Alabama, and Rhode Island recorded the largest decreases, with per capita production falling by 42.4, 36.2, and 33.8%, respectively. Ten additional states posted declines of more than 20%, while 9 states reported decreases between 10 and 20%.

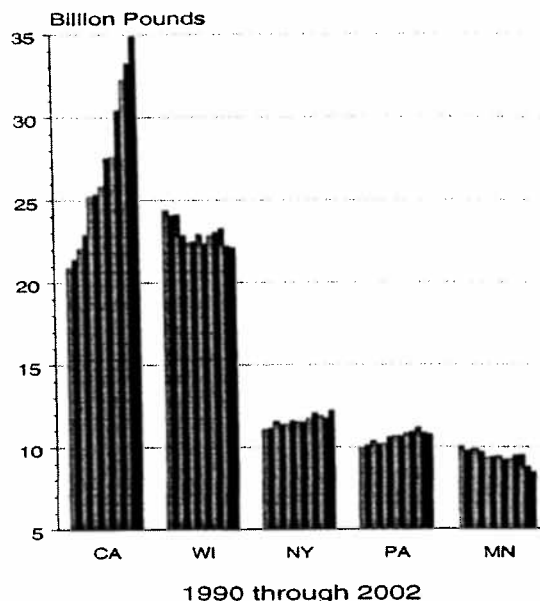
The map on the top of page 3 depicts per capita milk production by state for 2002. The 300 and 600 pound levels of per capita production are arbitrary divisions selected for this map. These levels reflect average average annual fluid and total per capita dairy consumption, plus reserve requirements. A cursory analysis of regional milk supply conditions can be performed by examining the shading patterns prevalent in the individual regions.

The map at the bottom of page 3 displays the percentage change in per capita milk production by state between 1997 and 2002. The data represented by this map reflects changes in production combined with population changes. The graphics on page 5 depict the states with the largest percentage increases and decreases from 1997 to 2002.

The graph on page 6 provides a ranking of the top five milk producing states in total milk production, production per cow, and production per capita. The graph on the last page of this Bulletin depicts milk production per capita for the U.S. over the last 23 years.

Annual Milk Production

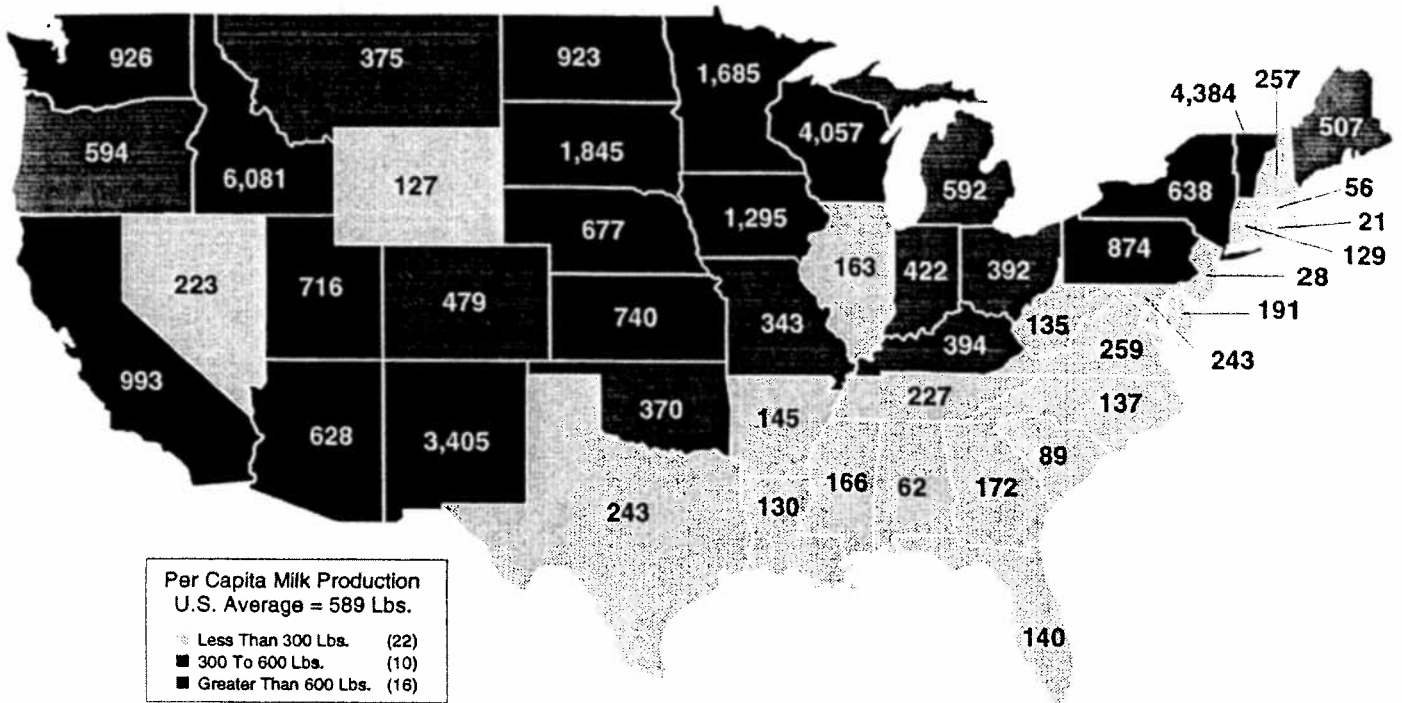
Top Five Dairy States



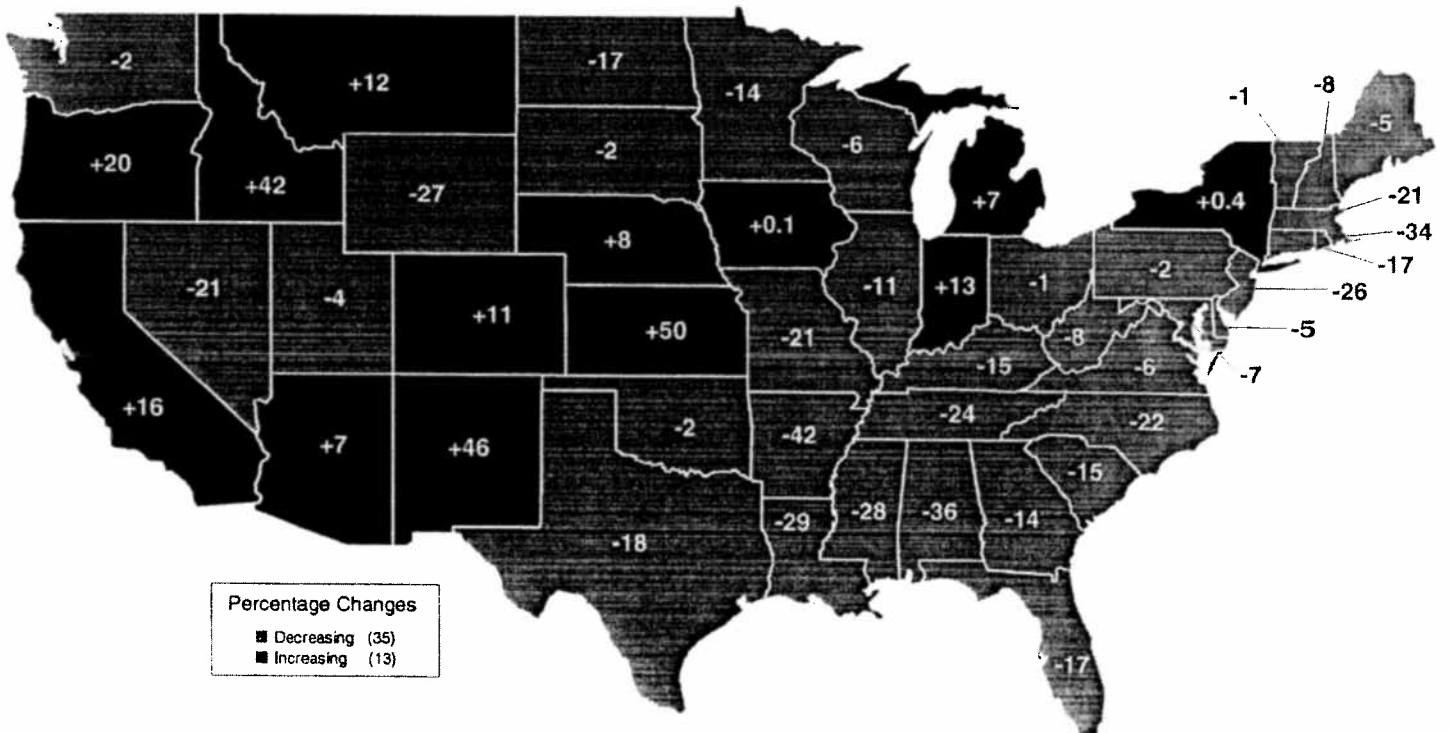
Percentage Of 2002 U.S. Totals

	Milk Production	Population
California	20.55	12.18
Wisconsin	13.00	1.89
New York	7.20	6.64
Pennsylvania	6.35	4.28
Minnesota	4.98	1.74
5-State Total	52.08	26.73

2002 Per Capita Milk Production



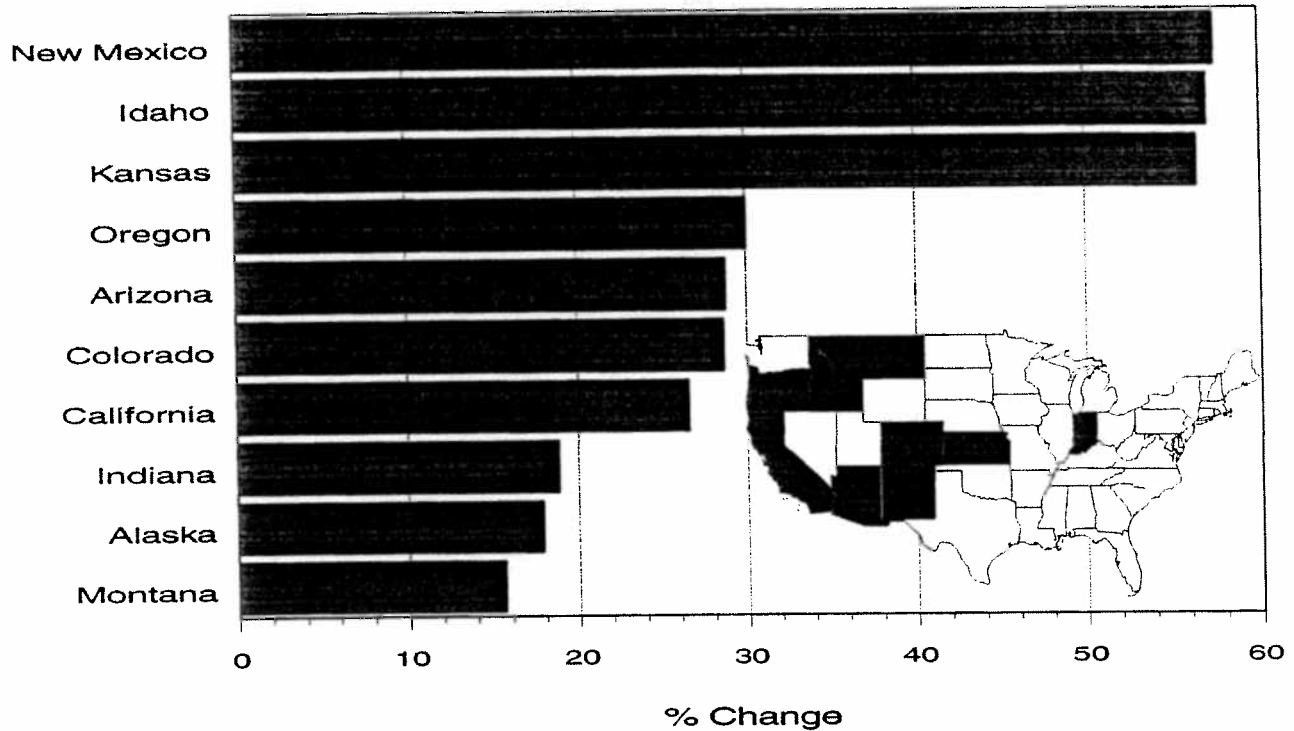
Percent Change In Per Capita Milk Production 2002 vs 1997



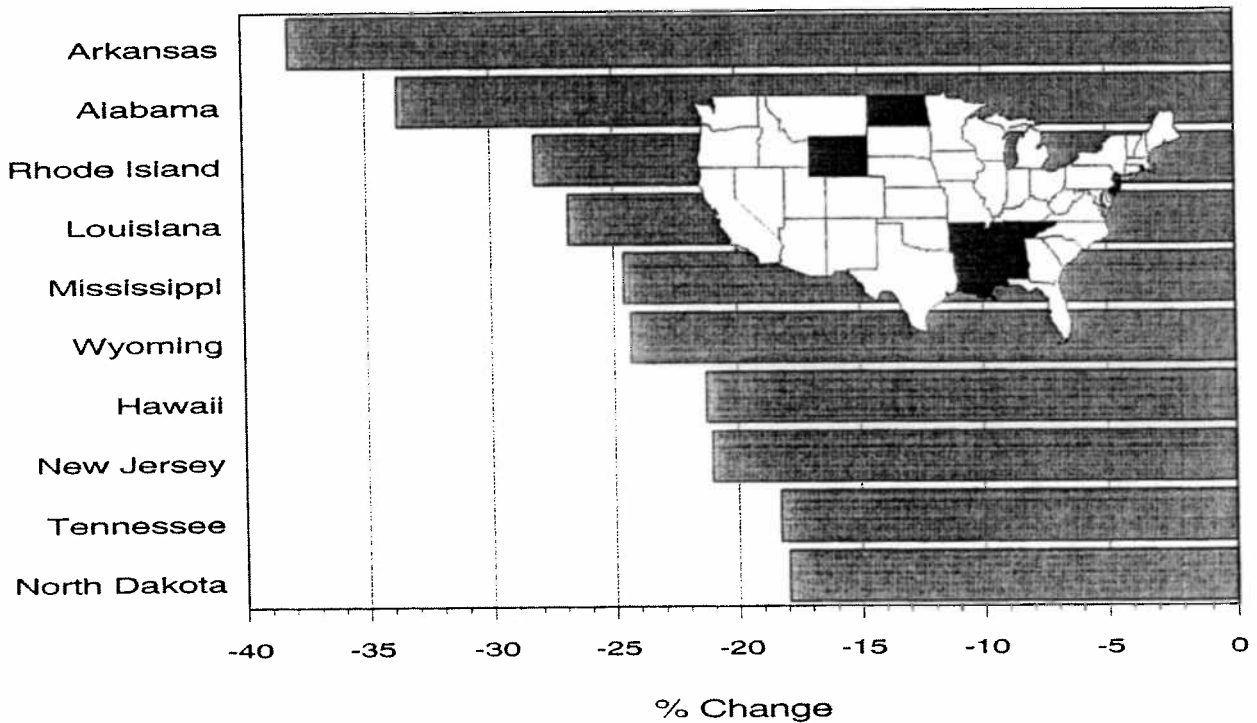
U.S. Milk Production: 2002 vs 1997

U.S. Average = +8.8%

Largest Production Increases



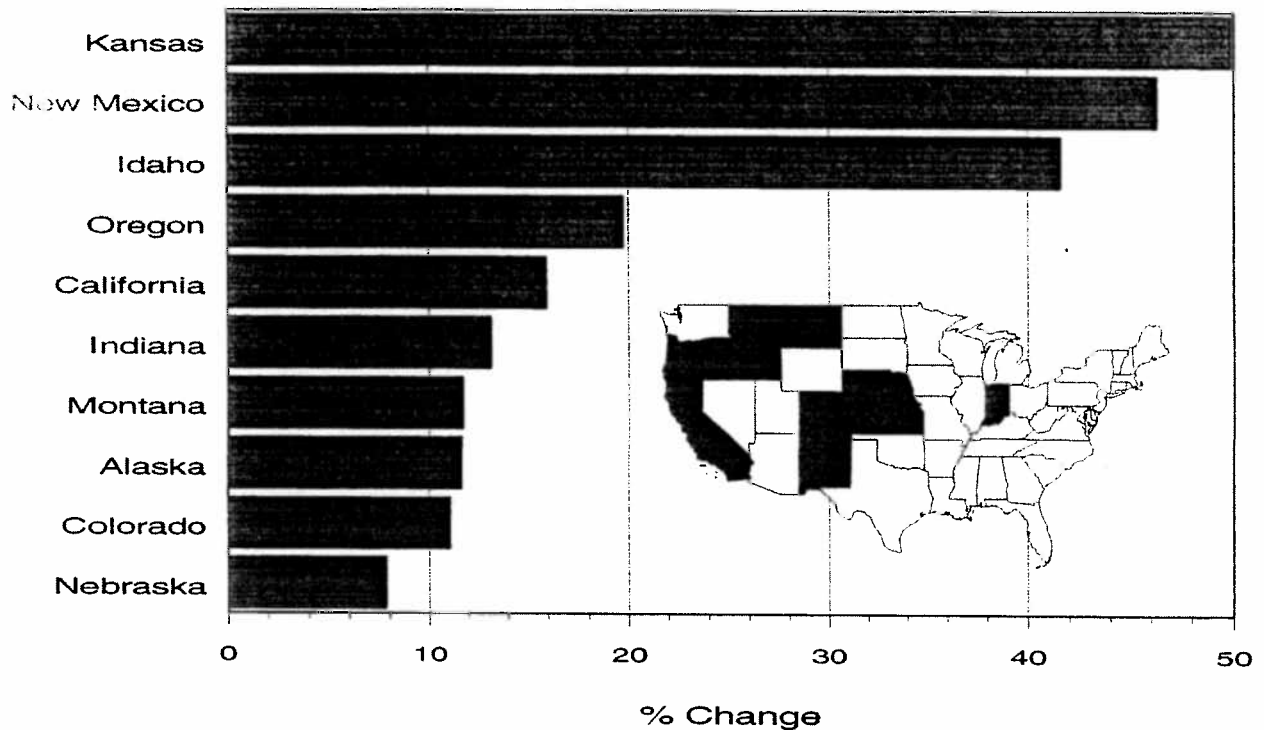
Largest Production Decreases



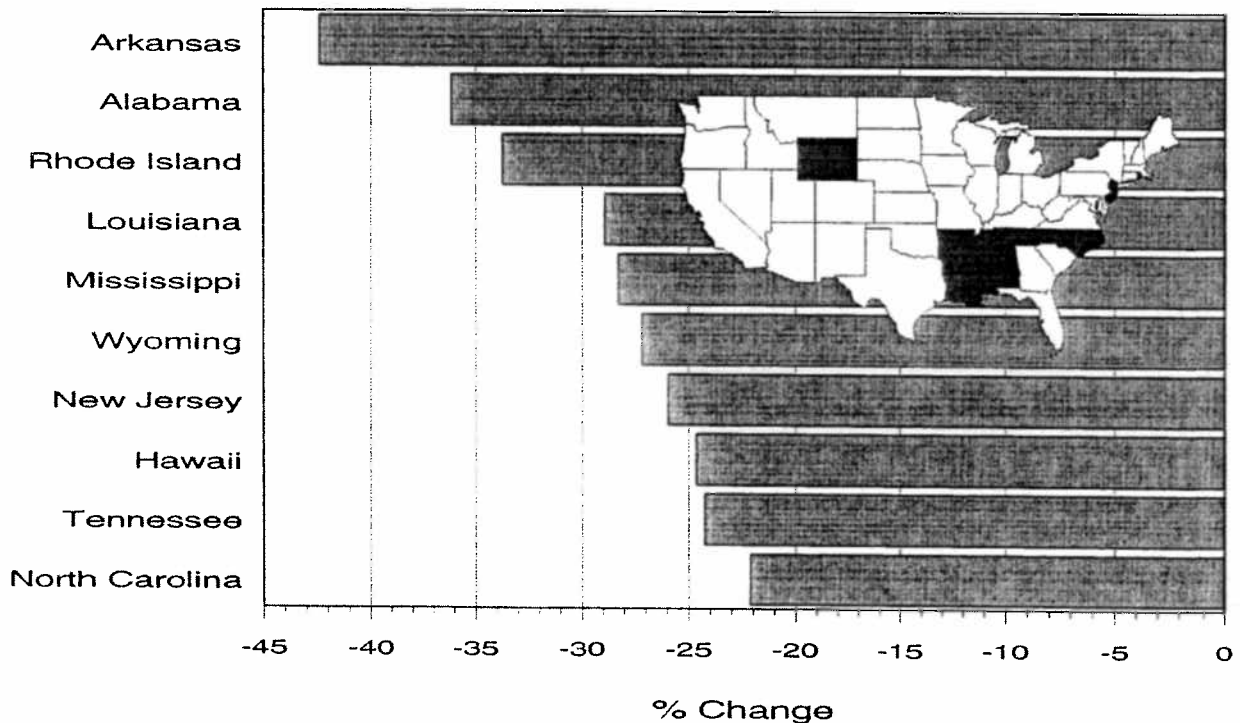
U.S. Per Capita Milk Production: 2002 vs 1997

U.S. Average = +1.0%

Largest Per Capita Increases

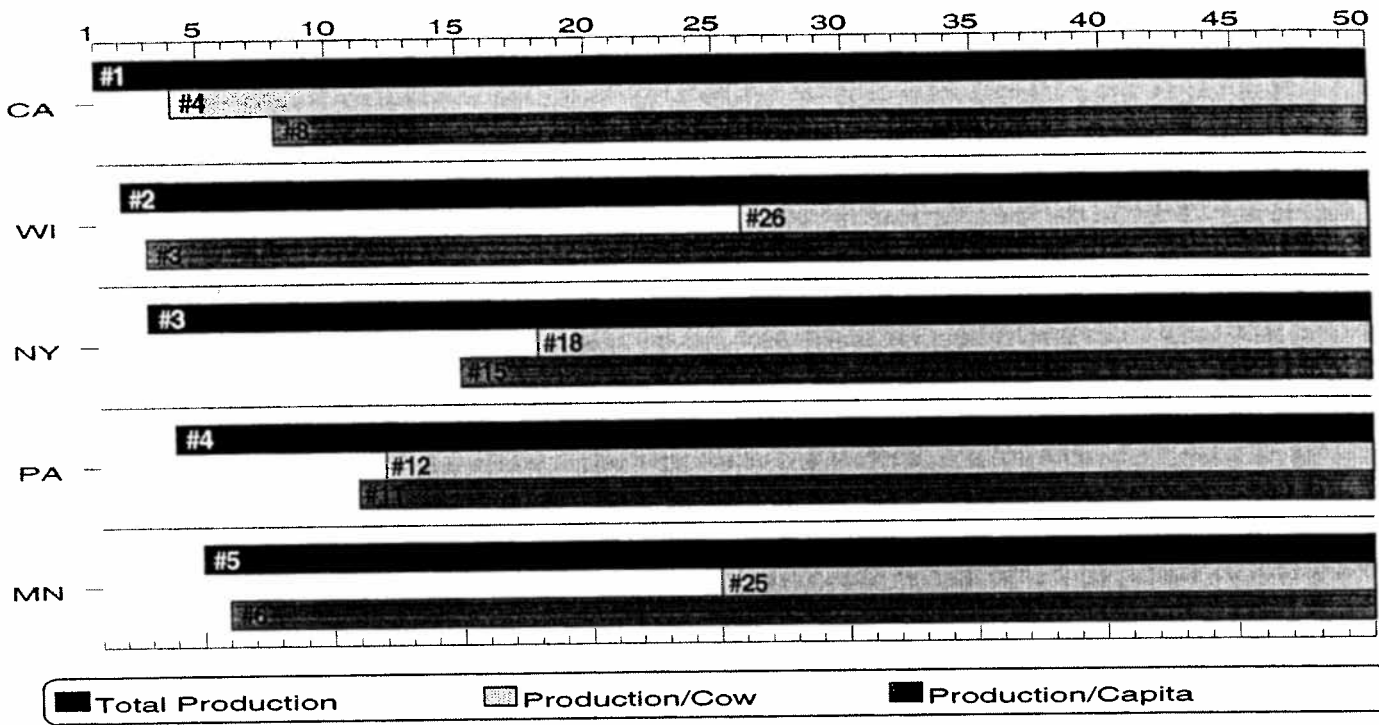


Largest Per Capita Decreases

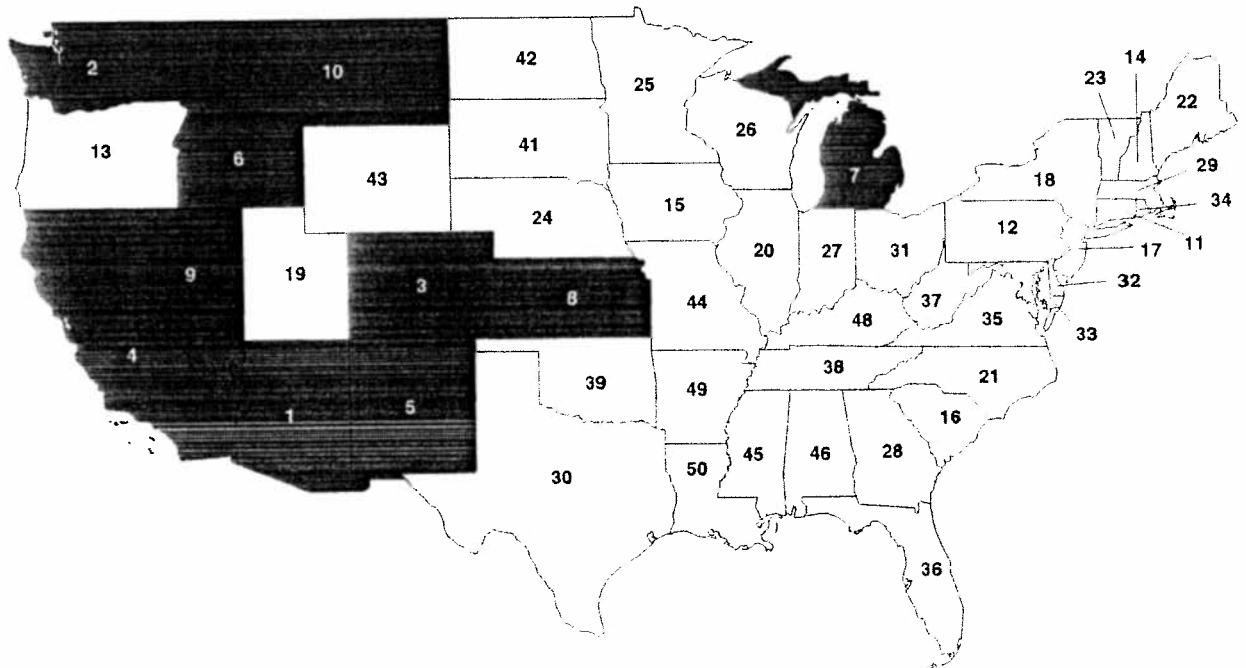


2002 Milk Production - Top 5 States

State Rankings



2002 Milk Production Per Cow Ranking Top Ten States Highlighted



Per Capita Milk Production

2002 versus 2001 & 1997 - By State

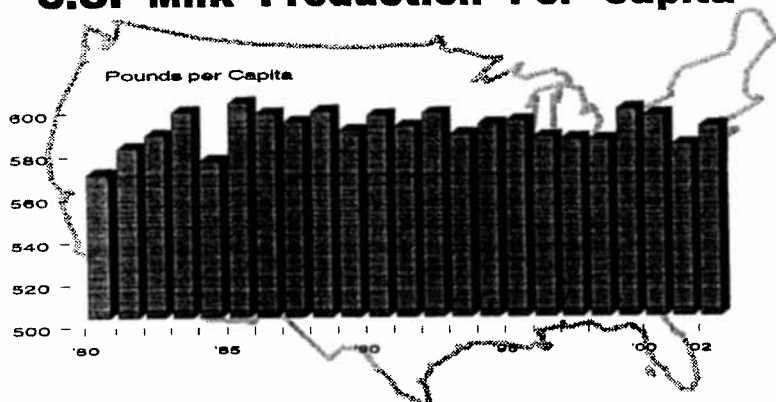
States	Per Capita Milk Production			Change In Per Capita Milk Production			
	2002	2001	1997	2002 vs 2001		2002 vs 1997	
				Pounds	Percent	Pounds	Percent
1 Idaho	6,080.7	5,873.9	4,295.8	206.8	3.5	1,784.9	41.6
2 Vermont	4,383.8	4,354.2	4,417.0	29.6	0.7	(33.2)	(0.8)
3 Wisconsin	4,056.8	4,106.4	4,300.5	(49.6)	(1.2)	(243.7)	(5.7)
4 New Mexico	3,404.7	3,037.2	2,326.6	367.5	12.1	1,078.1	46.3
5 South Dakota	1,844.8	2,083.5	1,876.0	(238.8)	(11.5)	(31.2)	(1.7)
6 Minnesota	1,685.0	1,767.9	1,964.8	(82.9)	(4.7)	(279.9)	(14.2)
7 Iowa	1,295.3	1,290.9	1,293.8	4.4	0.3	1.5	0.1
8 California	993.4	960.0	857.1	33.4	3.5	136.3	15.9
9 Washington	926.0	920.0	944.9	6.0	0.7	(18.9)	(2.0)
10 North Dakota	922.6	1,011.7	1,112.4	(89.2)	(8.8)	(189.8)	(17.1)
11 Pennsylvania	873.5	881.8	887.7	(8.3)	(0.9)	(14.1)	(1.6)
12 Kansas	740.1	595.8	494.0	144.3	24.2	246.1	49.8
13 Utah	716.2	717.5	745.8	(1.3)	(0.2)	(29.5)	(4.0)
14 Nebraska	676.6	677.9	627.6	(1.3)	(0.2)	49.0	7.8
15 New York	637.7	617.3	635.4	20.5	3.3	2.3	0.4
16 Arizona	628.4	579.1	585.1	49.4	8.5	43.4	7.4
17 Oregon	594.3	494.3	496.4	100.0	20.2	97.9	19.7
18 Michigan	591.5	586.8	553.2	4.9	0.8	38.3	6.9
19 Maine	506.8	509.2	533.1	(2.4)	(0.5)	(26.3)	(4.9)
20 Colorado	479.1	444.6	431.4	34.5	7.8	47.7	11.1
21 Indiana	422.3	419.0	373.2	3.3	0.8	49.1	13.1
22 Kentucky	394.3	408.0	464.2	(13.6)	(3.3)	(69.8)	(15.0)
23 Ohio	391.8	377.1	394.4	14.7	3.9	(2.6)	(0.7)
24 Montana	375.0	382.2	335.7	(7.2)	(1.9)	39.2	11.7
25 Oklahoma	370.4	372.7	376.0	(2.3)	(0.6)	(5.6)	(1.5)
26 Missouri	343.1	345.7	436.7	(2.7)	(0.8)	(93.7)	(21.4)
27 Virginia	259.3	261.9	275.8	(2.7)	(1.0)	(16.5)	(6.0)
28 New Hampshire	257.2	255.7	279.8	1.6	0.6	(22.6)	(8.1)
29 Texas	243.3	238.9	297.5	4.4	1.9	(54.2)	(18.2)
30 Maryland	243.1	240.2	260.3	2.9	1.2	(17.1)	(6.6)
31 Tennessee	226.8	232.2	299.5	(5.4)	(2.3)	(72.7)	(24.3)
32 Nevada	223.1	231.2	284.1	(8.1)	(3.5)	(61.0)	(21.5)
33 Delaware	190.7	188.3	201.3	2.4	1.3	(10.6)	(5.3)
34 Georgia	171.7	170.5	198.7	1.2	0.7	(26.9)	(13.6)
35 Mississippi	166.4	173.8	232.1	(7.3)	(4.2)	(65.6)	(28.3)
36 Illinois	162.8	161.3	183.7	1.4	0.9	(21.0)	(11.4)
37 Arkansas	145.0	160.3	251.7	(15.3)	(9.5)	(106.7)	(42.4)
38 Florida	139.5	147.3	168.7	(7.7)	(5.2)	(29.2)	(17.3)
39 North Carolina	136.7	140.6	175.5	(4.0)	(2.8)	(38.8)	(22.1)
40 West Virginia	134.9	138.3	146.5	(3.4)	(2.5)	(11.7)	(8.0)
41 Louisiana	129.6	141.4	182.4	(11.8)	(8.3)	(52.8)	(28.9)
42 Connecticut	129.2	132.8	155.8	(3.6)	(2.7)	(26.6)	(17.1)
43 Wyoming	127.1	127.6	174.6	(0.5)	(0.4)	(47.4)	(27.2)
44 South Carolina	88.6	90.3	104.8	(1.7)	(1.9)	(16.2)	(15.4)
45 Hawaii	77.8	86.2	103.2	(8.5)	(9.8)	(25.4)	(24.6)
46 Alabama	61.7	67.1	96.7	(5.4)	(8.0)	(35.0)	(36.2)
47 Massachusetts	56.2	55.8	71.0	0.4	0.7	(14.8)	(20.9)
48 New Jersey	27.5	27.4	37.1	0.1	0.4	(9.6)	(26.0)
49 Alaska	27.5	22.7	24.6	4.8	21.2	2.9	11.6
50 Rhode Island	21.4	21.9	32.3	(0.5)	(2.2)	(10.9)	(33.7)
U.S. Totals	588.7	580.0	583.0	8.7	1.5	5.7	1.0

Data Sources:

Milk Production : Milk Production, February 2003, National Agricultural Statistics Service, Agriculture Statistics Board, USDA.
 Population : U.S. Census Bureau, Department of Commerce. (July 1st population estimates for each year.)

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	1/2003	12/2002	1/2003	12/2002	1/2003	12/2002
Pacific Northwest	10.76	10.81	0.98	1.07	30.46	27.45
Western	10.49	10.50	0.71	0.76	18.74	22.94
Arizona-Las Vegas	10.97	11.07	----	----	32.36	32.53
Central	10.67	10.67	0.89	0.93	26.07	25.33
Southwest	11.88	11.92	2.10	2.18	44.31	42.26
Upper Midwest	10.36	10.33	0.58	0.59	19.63	18.79
Southeast	12.68	12.76	----	----	64.29	64.98
Mideast	11.05	11.12	1.27	1.38	40.77	40.39
Appalachian	12.94	12.96	----	----	71.39	67.20
Northeast	12.19	12.24	2.41	2.50	45.28	44.61
Florida	14.18	14.15	----	----	88.91	84.62

U.S. Milk Production Per Capita



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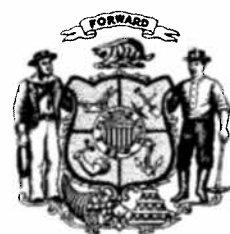
FEDERAL MILK MARKET ADMINISTRATOR
 P.O. BOX 14650
 SHAWNEE MISSION, KANSAS 66285-4650

FIRST CLASS

Website: www.fmmacentral.com
 E-mail: market.administrator@fmmacentral.com
 Phone: 913-495-9300



WISCONSIN STATE LEGISLATURE



AR 283

added to
Un-Scannable
Box #1



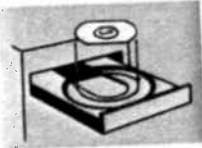
Can **YOU** play a key role in revitalizing
the state's economy and Wisconsin's dairy industry?



Here's 1.3 billion reasons why
the answer is YES!

\$1,300,000,000

**INSTRUCTIONS
FOR USE:**



Place the CD in the center ring or on the spindle of your computer's CD-ROM tray and close. The CD will automatically launch. **DO NOT** use this CD Card in audio-only CD players or in front-loading, slot-loading, or caddy-loading CD-ROM drives, such as in an I-Mac.

Getting Started: (PC): This CD should automatically run. If not, double click on "My Computer," then on the CD-ROM drive icon. Then click on the "START" file. **(MAC):** Double Click on the CD's icon, then click the "START" file.

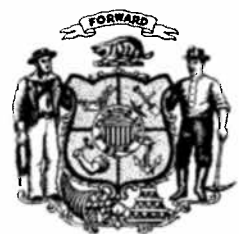
Wisconsin Dairy Modernization Investment Tax Credit Bill

INSTALLING QUICKTIME INSTRUCTIONS:

- Q) When I am installing QuickTime, the installer asks me for a QuickTime registration number. What should I enter on the screen?
- A) You do not need a registration number to install QuickTime. Simply leave the "Registered to", "Organization", and "Registration Number" fields blank and click "Next" to proceed with the installation.



WISCONSIN STATE LEGISLATURE



KESTELL

AB 165 - YES
AB 283 - YES
AB 284 - YES

~~17 West?~~
~~HOANE~~
~~Carroll~~

I must excuse myself
briefly for another
meeting

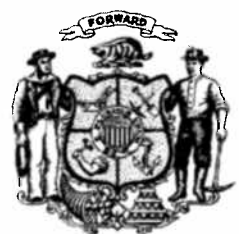
My vote on (AB 283) & (AB 165)
is affirmative.

Jim Towns

302 North



WISCONSIN STATE LEGISLATURE



5/15/03

AB 283

Mike Kutyla + Rep Ott

Greatest myth:

10 largest mergers cost
3 trillion \$ in assets

= size does not mean
profitability

= purpose is to provide
way to grow the economy

Rep. Balow Q. 10%?

Mike If convince to build you still
need cost structure to
deal with as debt.

don't need a lot to stimulate

A1 - compliments Dirig 2020 etc

Townes Q - why not invest in current farm rather than capital?
partnership - treated

Loeffelholz - profitability isn't every thing -

stay - build the biggest plane (if weather) - doesn't matter if not profitable

long ago we was profitable have cheap ...

price & supply important. if want profits still need to keep supply in mind.

Pedrowski - Concerned because milk price low... credit on return can be used to offset any type of tax liability

Steinbunk Q - Swartz move for him was to get out. He doesn't sign up for a lot of bills but this one he had to.

- Concerned expansion everyone was making a profit except him

- This is the incentive -

- he was rebates to get updates on equipment

- Debate over small/big ridiculous.

- need certain laws to be fin. viable.

Abramson Q % of help for smaller farms...

Mike - Sure. average farmer benefits, to those out more need affect overalls, not small group

Sec of Ag. & Will Hughes

3/15/03
195
AS283

- Dairy industry needs shot in arm & this bill does it.
All farmers that choose to stay.

- 2 Million per hour generated
- expands production base
- we know modernization works
all require investment
that's what AS 283 targets

- Not all problems solved
but it's a concrete fool
signal to industry

- modernize generate income

AS 283 Rep.

5/12/03

Marking EQ - small farmer can't make it...

- can't compete because money is not there to modernize.

- sm. farmers contribute

Mike - need growth, "massive" don't need

AB 283

19. 7

5/17/03

BG
Alto

- facilities with intentions for it ... need put money in...
- farmer hate to pay taxes
- if get 1 get to fund 2
- permits renewal request must very needed

- cows will go where people want them.
- we need to fix what we have

Bill 0

5/15/03

19. 6 18283

Ed Brodick For most
Bob Grabowski

- key issue is age of facilities
- yes there is the cost
- Bmpy additional production here

- in long run need cash cow

- surplus in milk nationally but in cal - can't compete outdated facilities

- 4 plants closed can't sustain production ...

EB.

AB 283

pg. 8

5/15/53

AB 283

Ainsworth

- other areas where production why not us?

Bob Crastanski

- Farms will get bigger
or will get smaller
will cut on cellulose

Bill

- Bill is targeted to vast majority of producers

Ed Burdick

- Not all size fits all

Tom

- Farm price best at manufacturing behavior

John Umhoefer

- We are producing specialty cheese at record pace & they are making money