

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on
Agriculture and
Insurance
(SC-AI)

File Naming Example:

Record of Comm. Proceedings ... RCP

- > 05hr_AC-Ed_RCP_pt01a
- > 05hr_AC-Ed_RCP_pt01b
- > 05hr_AC-Ed_RCP_pt02

COMMITTEE NOTICES ...

> Committee Hearings ... CH (Public Hearing Announcements)

> **

> Committee Reports ... CR

> **

> Executive Sessions ... ES

> **

> Record of Comm. Proceedings ... RCP

> **

INFORMATION COLLECTED BY COMMITTEE
CLERK FOR AND AGAINST PROPOSAL

> Appointments ... Appt

> **05hr_SC-AI_Appt_pt04**

Name: M. Krutza

> Clearinghouse Rules ... CRule

> **

> Hearing Records ... HR (bills and resolutions)

> **

> Miscellaneous ... Misc

> **

Vote Record Committee on Agriculture and Insurance

Date: 11-15-65

Moved by: Kedzie

Seconded by: Hansen

AB _____

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment Michael Krutz

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 Nonconcurrence

Committee Member

Senator Dan Kapanke, Chair

Aye No Absent Not Voting

Senator Neal Kedzie

Senator Ronald Brown

Senator Luther Olsen

Senator Jon Erpenbach

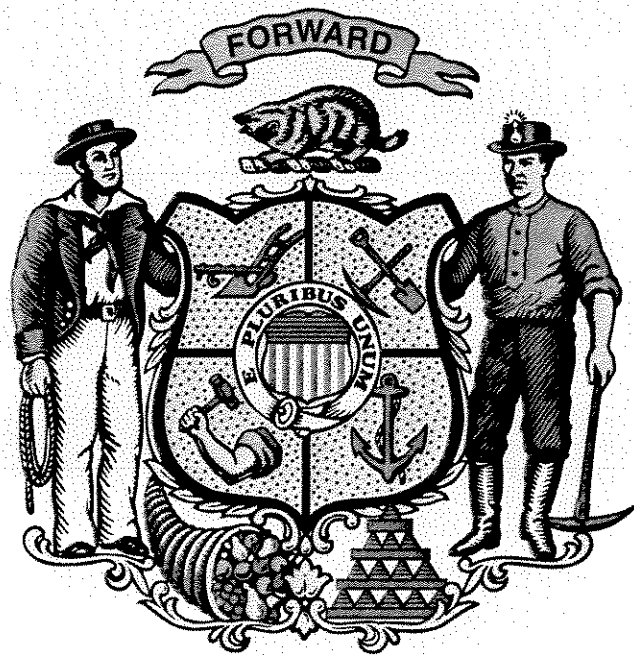
Senator David Hansen

Senator Mark Miller

Totals: _____

Motion Carried

Motion Failed





JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

February 23, 2005

To the Honorable, the Senate:

I am pleased to nominate and with the advice and consent of the Senate, do reappoint Michael Krutza to be a Agriculture Representative of the Board of Agriculture, Trade and Consumer Protection to serve a term expiring May 1, 2011.

Mr. Krutza will be available to the Senate for hearings and my staff will assist in any way they can.

Respectfully submitted,

A handwritten signature in black ink that reads "Jim Doyle".

Jim Doyle
Governor

JED:AW



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

February 23, 2005

Mr. Michael R Krutza
611 S. 32nd Avenue
Wausau, Wisconsin 54401

Dear Mr. Krutza:

I am pleased to reappoint you to the Board of Agriculture, Trade and Consumer Protection, effective May 1, 2005. Your experience, knowledge, and dedication will be a true asset to my administration and a great benefit to the people of Wisconsin.

I look forward to working with you to find creative ways of delivering services and implementing positive change for the citizens of our state.

Sincerely,

A handwritten signature in black ink that reads 'Jim Doyle'.

Jim Doyle
Governor



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

GOVERNOR'S APPOINTMENT

NAME: Michael Krutza
MAILING ADDRESS: 611 S. 32nd Avenue
Wausau, WI 54401
E-MAIL ADDRESS: mike.krutza@farmcredit.com
RESIDES IN: Wausau, WI
TELEPHONE: (715) 842-2211 (w)
(715) 842-8922 (h)
OCCUPATION: CEO, FCS Financial Systems
APPOINTED TO: Board of Agriculture, Trade and Consumer
Protection
Agriculture Representative
TERM: A term to expire May 1, 2011
SUCCEEDS: himself
SENATE CONFIRMATION: Yes
DATE OF APPOINTMENT: May 1, 2005
DATE OF NOMINATION: February 23, 2005



STATE OF WISCONSIN
ETHICS BOARD

James R. Morgan
Chairman
Paul M. Holzem
David L. McRoberts
Dorothy C. Johnson
Richard Warch

On the capitol square at:
44 EAST MIFFLIN STREET, STE 601
MADISON, WISCONSIN 53703-2800
phone: 608/266-8123
fax: 608/264-9319
ethics@ethics.state.wi.us
<http://ethics.state.wi.us>

Roth Judd
Director

Senate Committee Members:

The attached Statement of Economic Interests is provided with regard to the individual's nomination to a State Public Office by Governor Jim Doyle.

Sincerely,
STATE OF WISCONSIN ETHICS BOARD

Nominee: Michael Krutza
Date: 3/3/05

Statement of Economic Interests

Filed in 2005 for calendar year 2004 by

Krutza, Michael
 Ag. Trade & Cons. Prot., Dept. of
 Board Member-

3/3/05

FOR EXPLANATIONS, EXAMPLES AND EXCEPTIONS SEE THE INSTRUCTIONS OR VISIT OUR WEBSITE AT <http://ethics.state.wi.us>
 Still have questions? For priority service send an e-mail to: ethics@ethics.state.wi.us; otherwise leave a detailed message at (608) 266-8115
 ATTACH ADDITIONAL PAGES AS NEEDED

Part A

As of December 31, 2004

1. List STOCKS, BONDS, limited partnerships, Wisconsin governmental securities, and mutual and money market funds you or your family held (minimum \$5,000).

	"✓" one	
Stocks/options/futures	\$50,000 or less	More than \$50,000
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Bonds		
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Limited partnerships		
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Wisconsin governmental securities		
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Mutual or money market funds		
Merrill Lynch Basic Value	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pimco Small Cap Value	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vanguard Institutional Index	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>

2. List BUSINESSES and INCOME-PRODUCING REAL ESTATE in which you or your family had a 10% or greater ownership interest.

Name of business (if any) or business activity or address of real estate	Municipality	State	If real estate, list County	Describe nature of business

a) For each general partnership, or entity not doing business in Wisconsin, that you listed in Item #2, list the GENERAL PARTNERS, or the OFFICERS and DIRECTORS.

Business	Partners, or officers and directors	City	State

b) For each enterprise you listed in Item #2 that is an unincorporated business, a subchapter S corporation, a service corporation (SC), a limited liability company (LLC), a partnership, or income-producing real estate, list BUSINESSES, ORGANIZATIONS, and any LOBBYISTS that were CUSTOMERS, CLIENTS, or TENANTS that paid the enterprise \$1,000 or more in calendar year 2004.

Businesses, organizations, lobbyists that were customers, clients, or tenants	City	State

3. List the specific location of WISCONSIN REAL ESTATE in which you or your family had an interest (except your principal residence and real estate whose location you listed in item 2).

Location of property			Nature of interest
Street address or fire number	Municipality	County	(e.g., own, lease, option, easement, land contract)
8307 Doolittle Road	Minocqua	Oneida	own

4. List ORGANIZATIONS of which you or a family member was an OFFICER or DIRECTOR.

Business or organization	City	State	Position
FCS Financial Services	Wausau	WI	president
United FCS	Willmar	MN	CEO
WFC	Madison	WI	director

5. List ORGANIZATIONS THAT AUTHORIZED YOU OR A FAMILY MEMBER TO REPRESENT THEM in their dealings with others as an attorney-at-law, agent, spokesperson, or representative (unless listed in item 4 or 7).

Business or organization	City	State

6. List CREDITORS to which you or your family owed \$5,000 or more

Creditor	City	State	"✓" one	
			\$50,000 or less	More than \$50,000
GMAC	Waterloo	IA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MasterCard	Wilmington	DE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
U S Bank	Wausau	WI	<input type="checkbox"/>	<input checked="" type="checkbox"/>
VISA	Wilmington	DE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

Part B For calendar year 2004

7. List your and your family's EMPLOYERS (\$1,000 or more of income) in 2004.

Name of employer (If State of Wisconsin, identify agency or institution)	City	State	Nature of employer's business
Farm Credit Services	Wausau	WI	rural finance
Merrill Area Public Schools	Merrill	WI	Education

8. List OTHER SOURCES from which you or your family received INCOME of \$1,000 or more in 2004.

Source of income	City	State

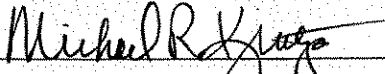
9. List individuals and organizations that provided you with ENTERTAINMENT or GIFTS (more than \$50) in 2004

Name of provider	City	State

10. List, for 2004, sources of HONORARIA and payment of EXPENSES related to your state government duties (more than \$50) not previously reported to the Ethics Board.

Payer	Approximate value of expenses	Amount of honorarium	Circumstances of receipt
DATCP - See W-2 from DATCP - Hotels check bill to Dept - I have NOT been reimbursed for mileage or other expenses of DATCP.			

I have read the accompanying instructions and certify that the information contained in this Statement of Economic Interests is true, complete, and correct to the best of my knowledge, information, and belief. If any part has been left blank, I have done so intentionally because there is nothing to report.

	Daytime phone # <u>715-842-2211 / EXT 301</u>
Signature of person filing	Date <u>2-14-05</u> E-mail address <u>mkrutza@farmcredit.com</u>

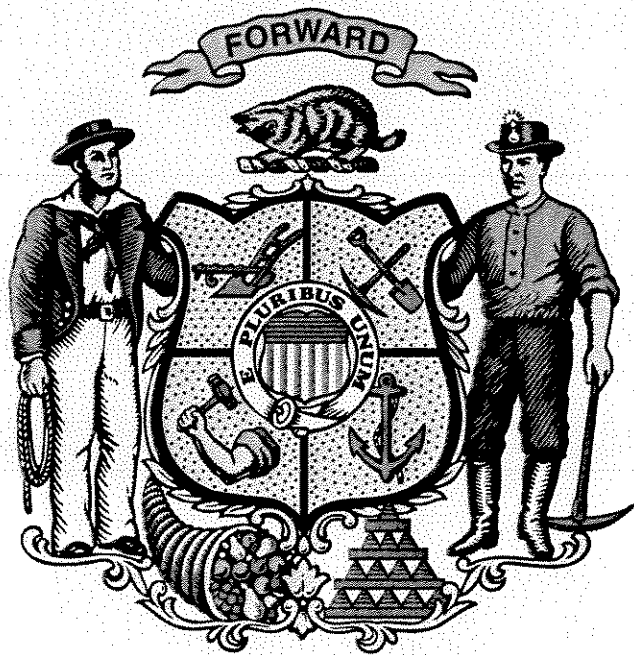
The information sought in this form is required by §§19.43 and 19.44, *Wisconsin Statutes*. Failure to file a completed form may result in a forfeiture of up to \$500. Statements of Economic Interests are open for public inspection. The Ethics Board will notify you of the identity of any person who examines your Statement. In accordance with §15.04(1)(m), *Wisconsin Statutes*, the Ethics Board states that no personally identifiable information is likely to be used for purposes other than those for which it is collected.

Mail or fax to: Wisconsin Ethics Board, 44 E. Mifflin St., Suite 601, Madison, WI 53703-2800; Fax: (608) 264-9319

Ethics Board's comments about the Statement you filed last year to help you complete this one.

- No Comments

Eth1 Personalized. For use in 2005



Smyrski, Rose

From: Napralla, Erin
Sent: Monday, August 15, 2005 11:03 AM
To: Smyrski, Rose
Subject: RE: Mike Krutza Confirmation

Cool. Thanks.

From: Smyrski, Rose
Sent: Monday, August 15, 2005 11:02 AM
To: Napralla, Erin
Subject: RE: Mike Krutza Confirmation

Gotcha...we won't move on him until later Sept or early Oct

From: Napralla, Erin
Sent: Monday, August 15, 2005 11:00 AM
To: Smyrski, Rose
Subject: RE: Mike Krutza Confirmation

He wants a letter of support from AI. I wanted to know when I needed to have it done. Trying to get a bunch of stuff done before all hell breaks loose this fall.

From: Smyrski, Rose
Sent: Monday, August 15, 2005 10:59 AM
To: Napralla, Erin
Subject: RE: Mike Krutza Confirmation

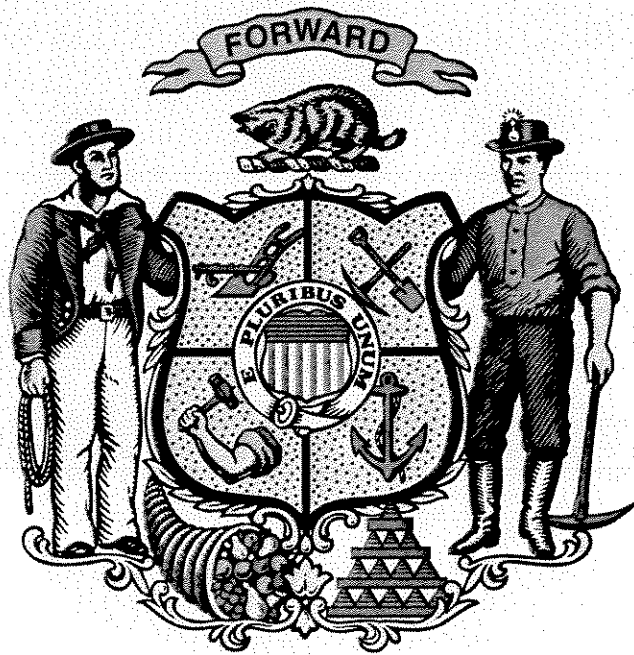
Krutza is unable to attend therefore we are delaying him...why the interest? if you don't mind me asking

From: Napralla, Erin
Sent: Monday, August 15, 2005 10:50 AM
To: Smyrski, Rose
Subject: Mike Krutza Confirmation

Rose,

Are you planning a confirmation hearing for Mike Krutza (DATCP Board) in early September?

Erin





Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269
Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

Date: September 6, 2005
To: Chairman Kapanke & Members, Senate Committee on Agriculture and Insurance
From: William L. Oemichen, President & CEO *Bill Oemichen*
RE: Support of Michael Krutza for Re-nomination to DATCP Board

The Wisconsin Federation of Cooperatives is pleased to again register our support for the re-nomination and confirmation of Mike Krutza as a member of the DATCP Board. He has served with distinction on the board since his nomination by Governor Doyle in January of 2003 and has demonstrated a passion for ensuring our state's key policy-makers appreciate the vital role agriculture plays in our state's economy. Mike Krutza has a personal understanding of the dramatic changes that have occurred in Wisconsin's rural sector due to his role as CEO of FCS Financial Services, the Farm Credit Association based in Wausau. He has dedicated much of his professional effort toward helping others understand the impact of those changes and of those now occurring and yet to come.

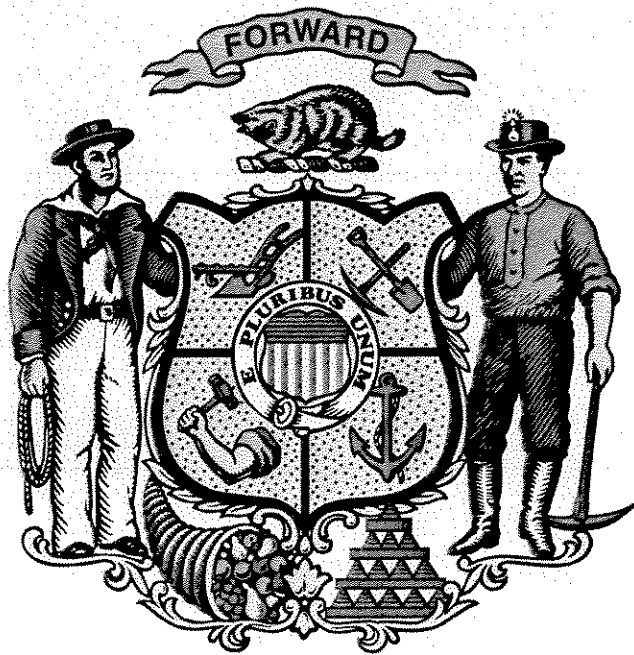
Mike Krutza is the inventor of the dairy investment tax credit law. That important idea, which was unanimously approved in both houses of the Legislature a session ago, truly represents Mike's action oriented style. 2003 Act 135 serves as an economic incentive to Wisconsin dairy producers, regardless of size, to modernize their dairy operations. Mike understood that our state's dairy infrastructure is aging and in desperate need of renewal, particularly in this age of increasing globalization of agriculture. Mike also understood the unique partnership that could be created between the state and producers to modernize our infrastructure and make our dairy industry more competitive.

Mike Krutza is also a visionary leader on issues such as cooperative health care. He began analyzing and discussing the difficulties agricultural producers would have obtaining affordable, quality health care at an early date and knew the challenge the issue would be for the continued vitality of our state's agricultural economy. Governor Doyle recognized his visionary leadership by signing 2003 Wisconsin Act 101, the Co-op Care bill, at his office in Wausau.

Mike Krutza's education suited him well for all that he has done since. He received both BS and MS degrees in agriculture fields of study from the UW-Platteville. Mike Krutza has provided 30 years of service to the Farm Credit Service system, filling roles from loan officer to now CEO of FCS Financial Services. Yet, he has always found time to commit to important external agricultural development efforts. Mike is a longtime board member of the Wisconsin Federation of Cooperatives, representing the Farm Credit sector. Mike served as co-chair of Dairy 2020 and is a member of the Rural Economic Development (RED) Board.

He also helped re-write the successful Dairy Business Planning Grant program at the Department of Commerce.

Those who have come to know Mike appreciate his talent and cooperative spirit. He has shown himself to be a valued listener and doer on the DATCP citizen board. We urge your positive vote on behalf of the confirmation of Michael Krutza to continue his service on the DATCP Board.





Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269
Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

Date: 11//11/2005
To: Chairman Kapanke & Members, Senate Committee on Agriculture and Insurance
From: William L. Oemichen, President & CEO *Bill Oemichen*
RE: Support of Michael Krutza for Re-nomination to DATCP Board

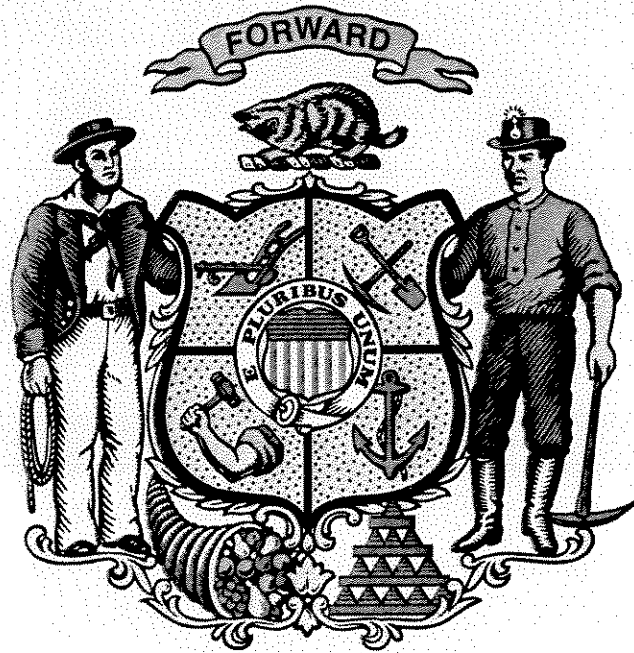
I'm pleased to again register the support of the Wisconsin Federation of Cooperatives for the re-nomination of Mike Krutza as a member of the DATCP Board. I would have preferred to present this testimony myself to the committee. However, my staff and I are attending our 2005 Annual Meeting in Bloomington, Minnesota.

Mike Krutza has served with distinction on the board since his nomination by Governor Doyle in January of 2003. Mike has demonstrated a passion for helping all Wisconsin policy-makers and key administrators appreciate the impact of Wisconsin's diverse agriculture on the economy of localities in addition to the greater good of Wisconsin's economy. He understands the dramatic changes that have occurred in Wisconsin's rural sector and has dedicated much of his professional effort toward helping others understand the impact of those changes and of those now occurring and yet to come.

Since his election in 1997, Mike has served on the Wisconsin Federation of Cooperative's Board, where he has represented the Farm Credit members. Both on the WFC Board and in far wider circles, he will forever bear the title of being the "father" of the dairy investment tax credit law. That idea, which was unanimously approved in both houses of the Legislature a session ago, represents the action oriented style of Mike. 2003 Act 135 serves as an economic incentive to Wisconsin dairy producers, regardless of size, to modernize their dairy operations. Mike knows as much as any knowledgeable Wisconsin resident that the average age of our dairy facilities negatively impacts our state's relative competitiveness.

Mike's education suited him well for all that he has done since. He received both BS and MS degrees in agriculture fields of study from the UW-Platteville. Mike Krutza has provided 30 years of service to the Farm Credit Service system, filling roles from loan officer to chief executive officer now of FCS Financial Services. Yet he has always found time to commit to important external agricultural development efforts. Mike was co-chair of Dairy 2020 and a member of the Rural Economic Development (RED) Board. He helped re-write the successful Dairy Business Planning Grant program at the Department of Commerce.

Those who have come to know Mike appreciate his talent and cooperative spirit. He has shown himself to be a valued listener and doer on the DATCP citizen board. I urge your positive vote on behalf of the confirmation of Michael Krutza to continue his service on the DATCP Board.





State Representative

David Ward

Vice-Chair: Joint Committee on Finance

November 14, 2005

HAND-DELIVERED

Senator Dan Kapanke, Chair
Senate Committee on Agriculture and Insurance
State Capitol, Room 104 South
Madison, WI 53708

Dear Chairperson Kapanke and Members of the Committee:

Tomorrow, the Senate Committee on Agriculture and Insurance will be holding a public hearing on the appointment of Mr. Michael Krutza as a member of the Board of Agriculture, Trade and Consumer Protection (Board). Please accept this letter as a wholehearted endorsement of his nomination and appointment.

For the past couple of years, Mr. Krutza filled a term for a previous Board member. During his service, I've come to establish a wonderful working relationship with him, especially with regard to agriculture and consumer protection issues. In the co-operative movement, Mike has made a very reputable name for himself, both personally and professionally. His willingness to educate himself and consider all sides of an issue is a strong testament to his work ethic and integrity. I have no doubt he will continue to be a positive and responsible advocate for Wisconsin's citizens.

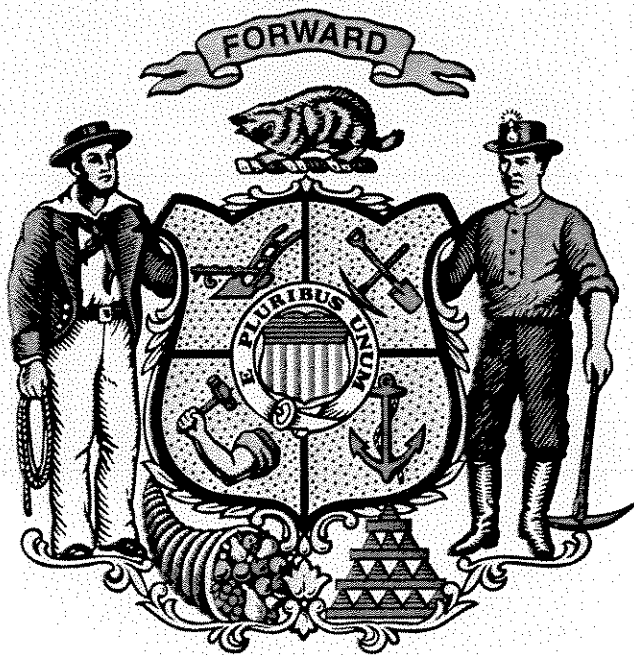
Again, I wholeheartedly endorse Mr. Michael Krutza as a member of the Board of Department of Agriculture, Trade and Consumer Protection and encourage you to vote in favor of his appointment. Please do not hesitate to contact me if you have any questions or concerns.

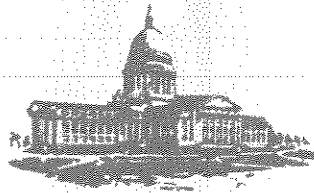
Sincerely,

A handwritten signature in black ink, appearing to read "David Ward", is written over a horizontal line.

David Ward
State Representative
37th Assembly District

cc: Members, Senate Committee on Agriculture and Insurance
Secretary Rod Nilsestuen, Department of Agriculture, Trade and Consumer Protection
Governor Jim Doyle, State of Wisconsin
Representative Al Ott, Chair, Assembly Committee on Agriculture





Al Ott

State Representative • 3rd Assembly District

Memorandum

To: Members of the Senate Committee on Agriculture and Insurance

From: State Representative Al Ott
Chair, Assembly Committee on Agriculture

Date: November 15th, 2005

Re: Confirmation of Mike Krutza – DATCP Board

I would like to take this opportunity to express my support for the reappointment of Mr. Mike Krutza to the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) Board.

I first met Mr. Krutza when he came to me with a plan for motivating our dairy producers to modernize through an investment incentive. I immediately sensed his desire to revitalize and move the dairy industry forward.

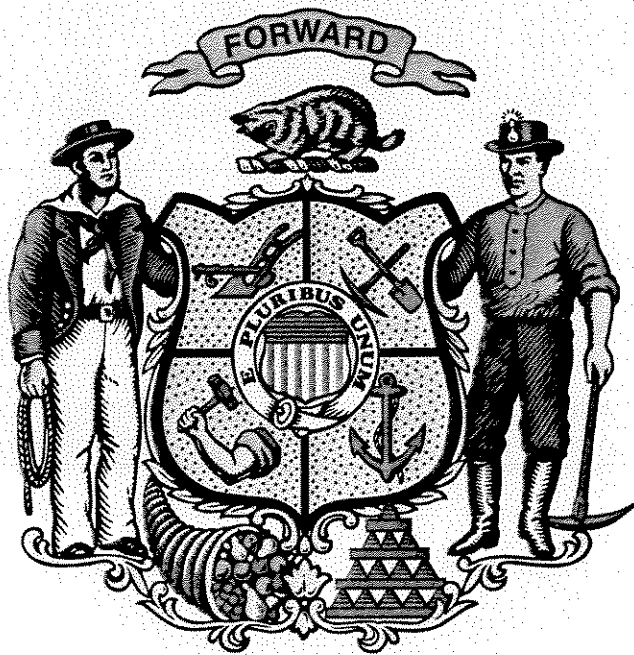
Building from this initial meeting, it was my sincere pleasure to work with Mr. Krutza to make the Wisconsin Dairy Investment Tax Credit a reality here in America's Dairyland. Mike's vision and determination is the reason our producers have such a tool in helping them grow our dairy industry.

As president of Farm Credit System Financial Services in Wausau, Mr. Krutza has proven himself to be a leader in the arena of agricultural lending. In this role, he has gained a unique perspective of the needs that exist in rural Wisconsin.

I would characterize Mr. Krutza as a thoughtful and constructive member of the DATCP board. In the last few years, he and his colleagues have been faced with a number of challenging issues, which include premises registration and livestock facilities siting. Not one to back down in the face of adversity, Mike has embraced these challenges and provided leadership in addressing them.

Again, it is my pleasure to request your support in the reappointment of Mr. Mike Krutza to the DATCP board.

Thank you for your consideration in this matter. Please do not hesitate to contact me if you have any questions or would like to further discuss Mr. Krutza's qualifications.



WISCONSIN AGRICULTURIST®

A FARM PROGRESS PUBLICATION MIDWEST GROUP EDITION

www.wisconsinagriculturist.com

AUGUST 2001

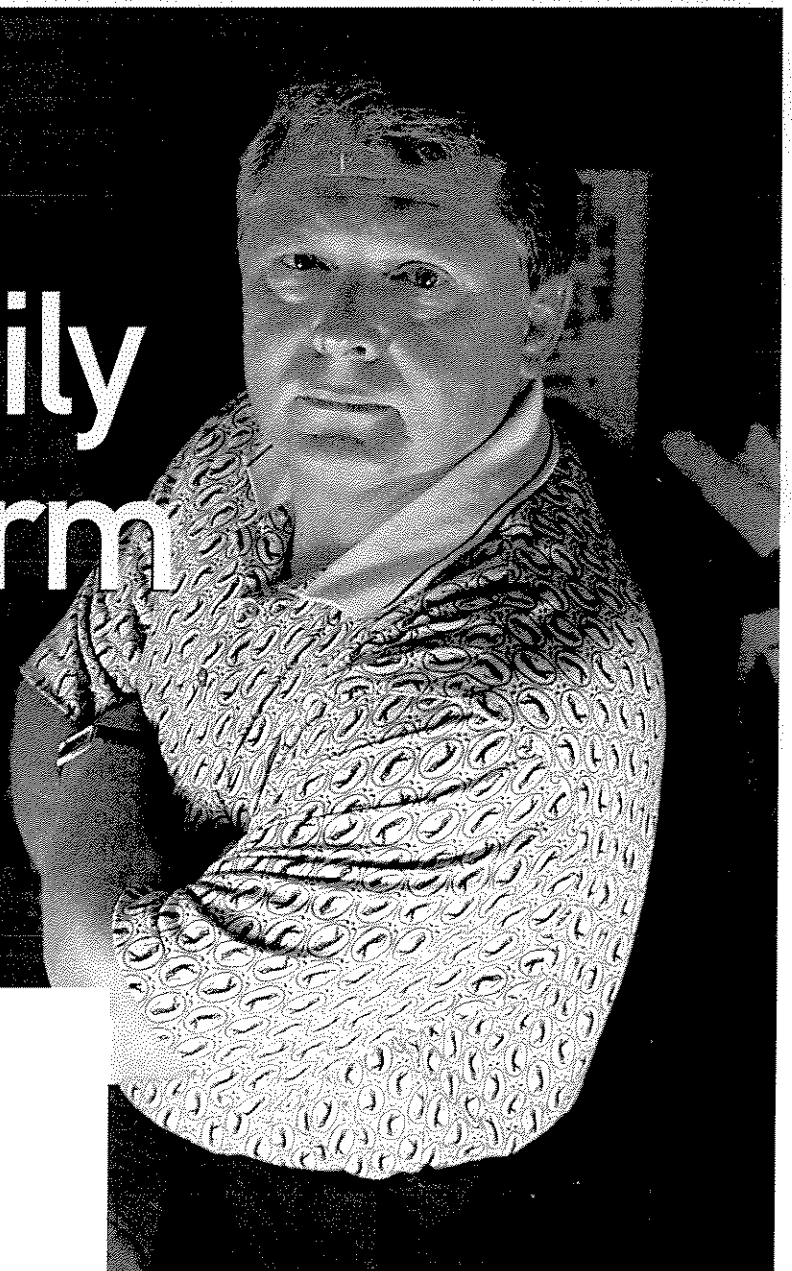
THE HYPOCRISY OF CO-OP
LOBBYISTS / 14

SOYBEAN DEMAND YIELDS
OPPORTUNITY / 17

FIRMS ENDORSE HUMANE
LIVESTOCK TREATMENT / 20

Saving the family dairy farm

Mike Krutza says investment tax credits
and strategic assistance could revitalize
thousands of farms. See page 10.



A plan to keep our dairy farms

Encouraging investment could be the last chance to save family dairy operations. ■ By Kurt Gutknecht

Get big or get out. That's the message a lot of dairy farmers hear — or think they hear. Many industry cognoscenti think the future of the state's dairy industry lies in California-style dairy operations, each consisting of hundreds or thousands of cows.

But some observers say there is another alternative — incremental expansion that will keep thousands of "smaller" dairy farms in the black. Groups have proposed various public policies to prevent the loss of these "family farms." Now a lender has advanced a plan to modernize Wisconsin's dairy industry, which he says would trigger a billion dollars worth of economic growth.

The proposal calls for investment tax credits to encourage modernization, increased assistance from state agencies and Pell-type grants for continuing education for farmers. The increase in farm income resulting from these policies supposedly means the state would easily recoup any temporary decrease in tax revenue several times over — and the plan would allow the state to keep more of the dairy farms that it supposedly cherishes.

STEPWISE GROWTH

Mike Krutza's proposal has attracted only lukewarm support. He spoke to

an audience of mostly empty chairs when he unveiled his proposal before a legislative committee. He fielded an inquiry from the Legislative Reference Bureau. Jim Harsdorf, secretary of the Wisconsin Department of Agriculture, Trade and Consumer Protection, says he likes the idea, in large part because it's "size neutral" — it treats all dairy farms the same, regardless of size.

As president and CEO of FCS Financial Services, better known as Farm Credit Services of North Central Wisconsin, Krutza has been espousing stepwise growth for several years — but with an aging farm population, time is running out. He's said this before, however, and his message has received a hohum response, the equivalent of a nod and a pat on the back and a fare-thee-well. He keeps trying.

Bankers have been accused of giving farmers enough rope to hang themselves, as during the late 1970s when farmers were lent money on the basis of inflated expectations and bloated real estate values.

Krutza's life would probably be easier if he were able to service a few fat loans with a limited number of clients. Instead, he's taken the opposite tack and warns about the evils of too much debt and too few farmers.

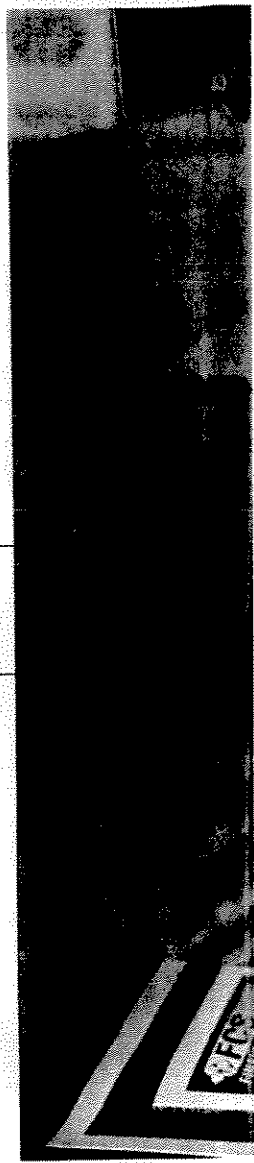
Results of a 1994 FCS survey of 243 dairy farmers showed that the in-

terest costs associated with large expansions often led to significantly higher break-even prices. Based on those findings, he argued for incremental expansion — evolution instead of revolution — to avoid the excessive debt per cow that can sap profit margins.

A \$25 BILLION INDUSTRY?

Krutza says a few modest incentives could help Wisconsin's dairy industry grow to a \$25 billion industry by 2010, up from the current level of \$17 billion. According to his calculations, \$1.3 billion in economic growth would result if just 2,000 dairy farmers modernized their dairy facilities and increased herd size from 60 to 150 cows.

But in a state where lip service to agriculture is the sine qua non of political longevity, no one's gotten too excited about the proposal, perhaps because it didn't originate from the groups who usually advance these policies — Krutza is acting largely alone — and perhaps because it implies that farmers have been getting some poor



Huge dairy farms aren't the only alternative, says Mike Krutza with FCS Financial Services, who has proposed modest incentives that encourage dairy farmers to modernize their operations.



advice during the last 40 years or so. The recent economic slowdown and decreased tax revenue haven't helped. Some question whether a banker could have altruistic motives.

Krutza says the state will probably lose cheese manufacturers and related enterprises unless milk production increases. But the issue isn't total milk production per se but how this milk is produced. Farms shore up the rural economy and it's important to keep as many of them as possible, he says. In other words, "Got milk?" should be coupled with "Got farmers?"

A healthy industry is characterized by growth, but not growth for the sake of growth, he says. "I want to see growth distributed uniformly. I approach the issue from a different per-

spective. Instead of just producing more milk to keep cheese plants in the state, I want to consider the human angle. The issue is not attracting cheese plants but in keeping thousands of dairy farmers. If we don't work with these farmers, the other questions are irrelevant. It's not just milk, but how and why we produce milk.

"If we keep doing what we've done, we'll get only what we've got," Krutza says, which in recent decades has been a precipitous decline in the number of dairy farms.

OFFERING MORE OPTIONS

"Let's get down to where the cows are eating. Are farmers reluctant to change? Not any more than anyone else," he says. Unfortunately, dairy farmers have

been offered the one-size-fits-all philosophy of expansion and, not surprisingly, they rejected the advice. "It's just illogical to expect everyone to expand to 400 or 500 cows."

Milking parlors have been one of the biggest aids to efficient milk production but only about 10% of dairy farmers have installed them, says Krutza. He attributes the low adoption rate to the misconception that milking parlors are prohibitively expensive, costing several hundred thousand dollars. Instead, he has materials showing more than 20 types of parlors, ranging from a basic modification of a stanchion barn costing \$1,500 for locks and concrete to those costing more than \$150,000.

Continued on page 12

Continued from page 11

Many steps toward modernization, such as parlors or improved grazing programs, require only a modest investment and would be feasible for farmers thinking of retiring in five or 10 years, says Krutza, providing more income for them as well as making the operation more attractive to potential purchasers.

The state would probably fall over itself if it had an opportunity to lure several thousand small businesses from another state, says Krutza. It should be as aggressive in encouraging the viability of several thousand small businesses — dairy farms — that already exist in the state. “Unless we continue to support these dairy farms, we will see the demise and decay of rural communities.

“My proposal isn’t a social welfare program or a Pollyanna notion to save all farmers. Let’s grow this industry. The dairy industry today is like a 1975 truck with 300,000 miles on it. It’s not going to last much longer. It needs updating and repair for the long haul. Without renewal, the industry won’t maintain its vitality,” he says.

The fact that more than 600 dairy farmers have developed business plans through the Dairy 2020 Planning Grants offered by the Wisconsin Department of Commerce shows farmers will grow their businesses with just a little encouragement, Krutza says.

PUTTING IDEAS TO WORK

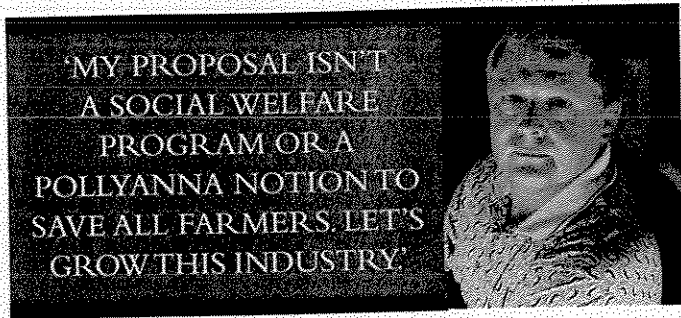
There’s not even a whiff of California about the operation of Bob Prahls’ dairy farm near Wausau. No one made much of a fuss when he doubled the size of his dairy operation in 1999 by installing a pit parlor in an existing barn, purchasing heifers and making other renovations. The changes involved a lot of sweat equity.

He now milks 70 cows instead of 35. That’s just a squirt in the flood of milk that is supposedly necessary to “save” the state’s dairy industry, but it’s allowed the Prahls family to stay in business on the farm that’s been in the family for 125 years. And the Prahls’

expansion could be implemented by thousands of farmers in the state. About 90% of existing dairy farms have fewer than 100 cows.

“Planning was costly, but it was the best money we ever spent. We did take on more debt, but it has paid off in less stress. It works,” says Mary Jo Prahls.

There are other options, including partnerships, the route selected by Park Avenue Dairy, a 125-cow operation in



Merrill. Three years ago, Todd Fryman, Jim Gaeu and Don Radke formed a limited liability corporation (LLC) and pooled most of their land, cattle and equipment. The LLC also enabled them to construct a freestall barn and milking parlor. “That isn’t an investment I would have made at my age if I were on my own,” says Gaeu, 60. FCS determined the financial feasibility of the LLC. The thriving operation supports three families.

“I believe the 18,000 or so dairy farms that are not yet modernized are critical resource to this state, both economically and socially. It would be an arrogant misuse of one of this state’s most important resources if we focused on investing in biotechnology and research facilities, and failed to renew existing dairy farms,” Krutza says.

PLEASED WITH EXPANSION

Bruce Jones, with the University of Wisconsin (UW)-Madison Department of Agricultural & Applied Economics and former director of the UW Center for Dairy Profitability, says the university has also been promoting the idea of incremental expansion. “Decisions to grow quickly and dramatically can result in debt-to-asset positions for dairy operations that exceed lenders’ standards. Given this, it follows that dairy producers may have to adopt

some more modest growth plans as they try to expand their operations,” including the installation of retrofitted parlor systems in existing barns.

Most dairy farmers who expand their operations are pleased with the results, as Roger Palmer, UW-Extension farm management specialist, found when he surveyed more than 300 Wisconsin dairy farmers who had expanded herd size. They reported a better lifestyle, improved management and higher incomes.

Scott Gunderson, UW-Extension dairy agent for Manitowoc County, and Palmer have been espousing staged expansions for several years. Gunderson cites a study by the Minnesota Farm Credit Service, which found that herds that

double in size have a smooth transition and experience little if any drop in milk production. In comparison, herds that tripled or made larger increases experienced “management lags” that often led to decreases in milk production.

In “staged growth expansions” on three dairy farms in Manitowoc County, which involved doubling or tripling herd size, Gunderson found dramatic increases in the labor efficiency of feeding and milking, a better lifestyle, and improved financial health.

The widely accepted adage that healthy enterprises are characterized by growth appears to be true in the dairy industry, in spite of the widespread assumption that expansion only results in “megafarms.” Whether enough dairy farmers are convinced is an open question, as is the notion that strategic incentives could revitalize the state’s dairy farms.

“Most of the people I’ve talked to say the proposal makes sense,” Krutza says. “Wisconsin’s dairy industry can still be a powerful economic and social force. We can create a legacy. The question is how to motivate legislators, state leaders and dairy farmers to make it happen.

“I think we just need to look at what’s possible — and then do it.” ♦