

Cooperatives Working Together to Raise Milk Prices

Elwood Kirkpatrick
President



Times are tough for all of us with dairy farms. This year milk prices have reached a 25-year low, leaving many producers wondering, "What can we do to make the milk price go up?" Many of you have asked me that very question. Cooperative leaders from across the country tell me they hear the same inquiry from their members.

As we look to the future, it does not appear that a correction in the milk price will be coming anytime soon. The current climate of soft product sales, strong production and high inventories are all factors that are contributing to the current low milk price.

The National Milk Producers Federation (NMPF) board of directors believes that together we have the ability to raise milk prices and preserve our way of life. Through a program called Cooperatives Working Together (CWT), NMPF proposes we can do just that.

After considerable analysis, the dairy industry believes that to cause a rise in milk prices, we need to remove 4.6 billion pounds of milk out of production nationally within the next 12 months. The NMPF board decided that asking for government support to implement a

mandatory supply management program would not be a good use of the dairy industry's resources. They felt a self-funded program would have a much higher success rate, both long and short-term, so they voted to create CWT, a voluntary producer-funded and directed effort.

The CWT plan is comprised of three areas where we can reduce milk production and stocks of inventory:

1. Subsidizing the export of 100 million pounds of cheese and 30 million pounds of butter that the dairy industry currently has in stock. While it may not be legal under GATT for the government to subsidize these products for export, it is fine for the dairy industry to do so.

2. Contract with individual producers to reduce production on their farm.

3. Implement a cow cull program that would pay producers to depopulate entire herds. The goal is to remove 125,000 cows from production.

CWT would run for a period of 12 months and would cost each dairy producer 17.9 cents per cwt. over the 12-month period. With that payment, our goal is to raise milk prices by at least \$1.30 per cwt. NMPF

research shows that getting contracted reductions from dairy producers, beginning to purchase cows for slaughter and committing industry subsidies to export products will cause the market to respond by raising milk prices.

Although the industry goal is to raise the milk price by \$1.30, it is important to note that we would not net the entire \$1.30 on the farm. As the milk price increases, our Milk Income Loss Contract (MILC) payments from the government will decrease. The net increase we will see on the farm after MILC payments and CWT deductions are factored in will be approximately half of the total milk price increase.

We are now in the planning stages of the CWT program. The NMPF staff is currently working out the details of the program, which will be presented to the NMPF board on May 9, 2003. At that time, the board will decide whether or not they will implement the CWT program.

It is important for a voluntary producer-funded program like CWT to be supported by the majority of dairy farmers in the nation. Over 70 percent of the milk produced in the U.S. comes

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Plain Talk

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from farms that are members of cooperatives belonging to NMMPF. If the CWT program passes, we hope we can count on it being funded by 70 percent of the nation's milk production. In initial discussions with non-NMMPF producers, it appears that they would also be interested in joining the CWT program. NMMPF's goal is to have the program funded by at least 80 percent of the milk production in the country.

As soon as the NMMPF board makes their decision on CWT and as the program progresses, we will provide you with information through this article, letters and other communications. If you have any questions regarding CWT, please contact me in the Novi office.

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Jacob Jahfetson*

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*Scored 100 percent

Quality Watch

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of Michigan must either be permitted under the General Permit by Michigan Department of Environmental Quality (MDEQ) or be MAEAP verified by MDA within the next three years. Every CAFO will be inspected by the MDEQ within that time frame. CAFOs inspected by MDEQ who are found to have a discharge will be subject to enforcement action by MDEQ and must be permitted under the General Permit.

It was pointed out that all potential CAFOs should submit a letter of intent to MDEQ stating whether they plan to either become verified under MAEAP or be covered under the General Permit. Blank copies of the letter of intent can be obtained from your membership representative or by contacting Ronda Wuycheck, MDEQ representative, at (517) 241-7832.

The MDEQ has already begun proactive inspections of potential CAFOs. Producers who have not submitted their letter of intent to be verified under the MAEAP program *will likely be targeted for*

MDEQ inspection before those who have submitted letters. An MDA Right to Farm inspector will likely inspect those CAFOs who submit a letter of intent to be verified under MAEAP prior to the MDEQ inspection. Once the letter of intent is submitted under MAEAP, the CAFO's Comprehensive Nutrient Management Plan (CNMP) must be completed in one year.

I would strongly urge all potential CAFO owners that if they intend to become verified under MAEAP, to submit a letter of intent to MDEQ and work aggressively to complete a CNMP for the operation.

Michigan Agriculture's Conference on the Environment was an excellent learning opportunity for everyone attending. For those who were unable to attend, videos of various ACE presentations will be available in the future. If you would like to obtain a copy, please contact the Agricultural Ecology Department of Michigan Farm Bureau at (800) 292-2680.