

# Dairy Enters the “Gateway to the Future” at the NMPF, NDB & UDIA Annual Meeting

Five years ago, the joint annual meeting of the National Dairy Promotion and Research Board (NDB), the United Dairy Industry Association (UDIA) and the National Milk Producers Federation (NMPF) focused on bringing together a somewhat frac-

tioned dairy industry in order to speak with one voice for the future of the industry. Those concerns set the groundwork for programs like the Dairy Producer Conclaves, Cooperatives Working Together and Dairy G.R.E.A.T. (Grass Roots Education and Action Team).

With the dairy industry speaking as one voice like never before, the industry is able to more readily adapt and thrive in this ever-changing world climate. More than 1,000 dairy farmers attended the most recent annual meeting held November 29 – December 1, 2005, at the Hilton San Francisco in San Francisco, Calif. With the theme, “Gateway to the Future,” the meeting focused on the rapidly changing industry and how dairy producer-led promotion and policy organizations are leading and adapting to these changes.

## NMPF Highlights

Chairman Charles Beckendorf highlighted the successes of NMPF this past year, noting an important victory was protecting the dairy price support program

from proposals to cut it. Since the program is the “bedrock” safety net for dairy farmers, making sure that Congress and the USDA don’t weaken it was a key priority for NMPF.

Beckendorf reflected on NMPF’s commitment to achieving fair trade deals for dairy farmers. NMPF supported CAFTA because even though “the additional opportunity for dairy product sales to Central America is modest...it’s greater with CAFTA than without,” Beckendorf said.

NMPF was also able to get Congress to approve a one-time use of national check-off dollars to pay for research of dairy farm air emissions. Beckendorf talked about the increased pressure farmers are receiving from their neighbors and regulators. He explained the data needs to be collected and paid for.

A growing relationship with Agricultural Secretary Mike Johanns is a bright spot for NMPF. Beckendorf told the audience that the Secretary’s major priority is to increase world trade. The Secretary told NMPF to “be creative” in thinking about the future of all farm programs, including the upcoming farm bill.

Jerry Kozak, NMPF President and CEO, spoke about the direction the organization is headed. He challenged the audience to think beyond where they stand today and think about how the gateways of our industry are linked, and how the fates of dairy farmers and cooperatives are linked to them all.

“Where we stand is not as important as the direction in which we are going,” Kozak said.

The first gateway is the upcoming World Trade Organiza-



*Cooperatives Working Together’s (CWT) Chief Operating Officer Walt Wosje gave producers a breakdown by state of cows being removed through Herd Retirement.*



*MMPA members were well represented and heard at the annual meeting. Here, MMPA Board Member Jim Reid asks the NMPF staff when they thought the Canadian border would reopen.*

tion negotiations in Hong Kong. Kozak explained it is important that NMPF be represented at these talks because a major sticking point has been agricultural subsidies.

"The Bush administration has proposed eliminating export subsidies, cutting domestic support for producers and opening our markets to additional imports." Kozak acknowledged that, while at first glance, "this doesn't sound like a good deal" for farmers, he explained further that "U.S. government has said that Europe must offer to eliminate its own export subsidies, which are over 100 times the size of ours."

NMPF has made it clear to the White House that our competitors must make far more substantial cuts in their programs than what we have to do or we will not agree with any agreement that emerges.

The next gateway is the 2007 Farm Bill. Kozak said the administration has made it clear that this farm bill will be different than the current one, thus making it very important that the dairy industry has a unified approach.

The Dairy Producer Conclaves, a series of regional listening sessions, is how NMPF will



Rulon Gardner encouraged attendees to "never stop trying" during his lunchtime presentation Wednesday.

ensure that producers have their say in the next Farm Bill, Kozak stated. "It is critical we develop a list of priority items we can rally around."

The last gateway Kozak discussed is the benefit farmers get by taking control of their own destiny through Cooperatives Working Together. CWT members will now be able to export more types of cheese and butter products overseas in 2006. As to the future of CWT, Kozak made it clear that CWT is the perfect complement to a government safety net program.

Cooperatives Working Together (CWT) Chief Operating Officer Walt Wosje gave producers an overview of the current CWT program and a breakdown by state of cows being removed through Herd Retirement. A Town Hall Meeting session following Walt's presentation gave producers the opportunity to ask questions of senior NMPF staff members.

#### **Dairy Promotion Highlights**

Dairy promotion's 2006 industry vision will help U.S. dairy producers grow their businesses by working to convert milk into products consumers really want, said Tom Gallagher, chief executive officer of Dairy Management Inc. (DMI).

Much of today's dairy industry is production-driven, as opposed to consumer-driven, and thereby ignores unmet demand, Gallagher said. Total growth of dairy in traditional forms – such as white milk in gallons, American-style cheeses sold domestically, and mozzarella – will grow only slightly over the long haul.

"This depicts current dairy sales in a production-driven industry. The problem is, this approach ignores potential sales,"



Gallagher said, adding that the industry must define the market by what consumers want.

The shift involves "working in partnership with those who manage and control the means of production to develop products that fulfill unmet consumer demand and increase total sales," Gallagher said. "If we cannot grow sales, then demand doesn't matter, no matter how large it becomes." Top growth areas from filling unmet demand include single-serve milk, cheese and whey.

"As you know, many people believe that fluid milk simply cannot grow – it's a mature market," Gallagher said. "But for all of you who believe that fluid milk cannot grow, I'm here to tell you that is absolutely false."

He pointed to more than 250 million pounds of additional sales through efforts with fast-food restaurant chains. The dairy checkoff aims to stimulate more sales by working with Burger King, Sonic Drive-In and other chains.

More opportunity lies in Coca-Cola and Pepsi as they enter the fluid milk business. "Coke is now marketing and distributing 'Bravo! Foods Milk Slammers' with an aggressive business plan that calls for sales in retail, foodservice and school channels," Gallagher noted. Coke has a fleet of trucks that deliver products daily nationwide. They also maintain more than 2 million vending machines that can sell milk.

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*The Town Hall meeting on Wednesday gave the YC's and all dairy producers attending the annual meeting the opportunity to ask the NMPF staff questions.*

of Thredgold Economic Associates discuss the "U.S. & Global Economic Outlook." That evening, the YC's social event was dinner at Bubba Gump Shrimp Co. at Pier 39 on the San Francisco Bay where we had a great time interacting with more YC's.

Thursday's General Session included Lou Gentine, Chairman and CEO of Sargento Foods, U.S. Representative Devin Nunes, and Harry Balzer, Vice President of The NPD Group. After the Awards Luncheon, the YC leadership development program went into break-out sessions covering "Why is Dairy G.R.E.A.T. so Great?" "7.4 percent in 2004: Why Exports Should Matter to U.S. Dairy Producers"; "How You Are Setting Direction for Dairy Promotion and Research"; "Why All the Regulations?" These were very informative focus sessions for all of us.

Just before the wrap-up session, the YC Advisory Council held elections for officers in which we were elected to serve as NMPF YC Secretary Couple for 2006.

We would like to thank MMPA for allowing us the opportunity to represent our co-op in San Francisco. It is truly a pleasure to serve as MMPA's Outstanding Young Dairy Cooperators for 2005. We are looking forward to the coming year as we pass through the "Gateway to the Future."

### **NMPF Annual Meeting**

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"One sale per day in 10 percent of these machines in hospitals, offices and schools would mean an additional 75 million units sold each year," Gallagher said.

Growth will happen through innovation in fresh fluid, extended shelf-life milk, and aseptic products, Gallagher said. He added that the checkoff plans to create alliances with "milk processors, bottle suppliers, blow molders, filler manufacturers, label providers, and sleeve manufacturers to spur production capacity of the plastic bottle.

"By 2010, total global dairy demand could increase by 2.4 billion pounds, primarily in cheese; the countries most likely to fill that demand will fall short by nearly 1.4 billion pounds, leaving nearly a billion pounds of unmet demand," he said, identifying cheese as another area of unmet demand.

U.S. retail sales can improve by introducing more Hispanic cheeses, kid cuts, snacking cheeses, and other product innovations. Partnerships with dairy cooperatives and processors also can help meet unmet cheese demand through new cheese-friendly

menu items at national restaurant chains.

Dairy ingredients like whey are moving more quickly than ever with the help of the dairy checkoff. Gallagher highlighted several partnerships that are underway: A whey consortium developed with 15 international companies; A whey research project co-funded with two global companies, Fonterra and Dairy Australia, to develop whey health-related claims that can help the dairy industry compete more strongly with soy; and an upcoming worldwide research and promotion effort to address potential research redundancies, make producer-funded research programs more effective, and make dairy more competitive worldwide with soy.

"Through partnerships and innovation, consumption can grow as quickly as the industry can accommodate change, as quickly as the industry can innovate, as quickly as the industry can give consumers what they want," Gallagher said. "That is growing your business."