



Increasing Milk's Bottom Line

Cooperatives Working Together's Herd Retirement Program (HRP) that was announced in April is history. The cows are gone, and by now, another HRP may have already been announced. The first was one in a series of HRP's that will be necessary to reduce the national herd to a production level that will match the demand side of the equation. The April HRP was successful in removing over 100,000 cows (two billion pounds of annual milk production). It was somewhat surprising that, under prevailing economic pressures, more bids weren't offered. While plans are underway to review CWT, for the time being, the current procedures provide the most expeditious method of bolstering milk prices.

Removing cows reduces production, but I'd also like to discuss what is being done to increase demand as well. The focus has been on how to increase demand soon and maintain it later. On the "sooner" side of the ledger, Secretary of Agriculture Vilsack moved to purchase the equivalent of powder purchased by the Commodity Credit Corporation (CCC) for Government-sponsored feeding programs.

Implementation of the Dairy Export Incentive Program (DEIP) that has been a part of Farm Bills for years became mandatory in the most recent Farm Bill. In the past, implementation had been left to the discretion of the USDA. Vilsack, mindful of the law and sympathetic to the plight of dairy farmers, has been pushing for implementation.

However, he met with resistance from others who objected to the signal that subsidizing exports sends to other countries, who in turn might retaliate by increasing their own subsidies. Because DEIP is a very small subsidy compared to the European dairy subsidy, the argument is, at best, weak, so Secretary Vilsack eventually succeeded. The story doesn't end there, however, because the announced subsidy is too small to encourage anyone to want to use it (DEIP theoretically makes up the difference between domestic prices and the world price for the dairy commodity being exported). The CWT Committee addressed the issue at its June meeting and gave Management the authority to use CWT Export Enhancement funds to "sweeten the pot" enough to get product moved into the export market. If fully successful, this will facilitate the export of the equivalent of 1.5 billion pounds of milk by June 30, 2009. July 1 marked the beginning of a new fiscal year for DEIP, and we will push hard for another enactment immediately that would remove another 1.5 billion pounds.

Another method for increasing demand lies in the Dairy Checkoff program. Dairy Management Incorporated (DMI) has traditionally focused on increasing dairy consumption in the long term by building relationships, developing products, building scientific consensus, to name a few. DMI has ramped up efforts to gain sales sooner rather than later to

meet the current price crisis.

When the price crisis became apparent last fall, efforts to reverse sagging pizza cheese sales were accelerated. Pizza cheese accounts for about 25 percent of cheese sold, and the segment has declined with the higher cheese prices in 2007 and 2008. Negotiations to partner with Domino's Pizza to introduce six new specialty pizzas that use up to 40 percent more cheese than traditional Domino's pizzas were put on fast track. Dairy farmers will invest \$12 million over two years, and Domino's will invest four to five times more to make these permanent menu items. The sales reports are so far encouraging. The new products weren't introduced until January, yet Domino's first quarter results showed a 1 percent increase, thanks in part to the new pizza cheese items.

Did you know that pizza is the number one menu item in schools, and 25 percent of all school meals include pizza? It's true, so protecting pizza's place in school meals is very important. New restrictions present a challenge, because fat content is a major concern. I expected reduced-fat cheese to taste more like cardboard than cheese; however, at a recent DMI meeting I had the opportunity to sample reduced-fat pizza cheese that meets the requirements of the school lunch program, and it tastes good! DMI is working with urgency to maintain real-cheese pizza in schools across the nation.

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News & Views

The latest dairy news

May Class III Price Down 94 Cents

The May Class III price is \$9.84, down 94 cents from April and down \$8.34 from a year ago. The Class IV price is \$10.14, up 32 cents from April, but down \$5.12 from last year.

MMPA Matters – *Continued from page 5*

During June, you may have seen a colorful advertising piece titled “America’s Dairy Farmers: Investing in America’s Future” featured in Time magazine and other publications. The piece resulted from discussions at the May DMI Board meeting about what can be done to increase sales. The ad has garnered very good reviews, and I think it was a positive approach to describe dairy’s wholesomeness and contribution to the nation’s economy.

NMPF, DMI, our cooperative and others in the dairy industry are working to bring about positive results for milk prices. Dairy is a healthy, wholesome product, and we will be doing a great service to people across the world with successful efforts to increase consumption.

Ken

MDA Mackinac Bridge Inspection Station will Operate During State Furlough Days

Michigan Department of Agriculture (MDA) Director Don Koivisto announced in June that the department’s livestock and plant inspection station located at the Mackinac Bridge will continue to be operational on the six state’s temporary layoff days scheduled throughout the summer. All other MDA offices will be closed. The furlough days were/are scheduled for June 19, July 6, July 24, August 7, August 21, and September 4.

Executive Order 2009-22, issued by the governor and approved by the House and Senate appropriations committees in May, mandates the unpaid furlough days to help eliminate the state’s current budget deficit.

“MDA wants to assure Michigan’s trading partners and stakeholders that movements of cattle and bison across the Mackinac Bridge will continue to be monitored even on furlough days. This inspection station is an essential component for Michigan maintaining federal split-state status,” said Koivisto. “Additionally, we will be enforcing the state’s Emerald Ash Borer quarantine as preventing the artificial spread of EAB in the Upper Peninsula continues to be vital to safeguarding ash as a genus in Michigan’s forest landscape.”

All livestock haulers, including horse haulers, must stop at the livestock inspection station on the north side of the bridge. Cattle, cervid or bison haulers must provide accurate paperwork that includes movement certificates - showing proof of bovine Tuberculosis (TB) testing.

MDA has contracted 40 hours per week with local law enforcement at the Mackinac Bridge. Law enforcement will track down and ticket livestock haulers who do not pull into the inspection station.

Upcoming Events

July

- 20-24 Michigan Dairy Expo – *East Lansing*
- 21-23 Ag Expo – *East Lansing*
- 22 Great Dairy Adventure - *East Lansing*

August

- 5-6 OYDC Conference- *Novi*