



Headed Toward the Future

It's a pleasant feeling to look at 2009 in the rearview mirror. It was such an unusual year in so many respects. Lousy milk prices, long winter, short summer (no summer in my opinion) and to top it all off, the Menominee/Vacationland Local was postponed one day due to an early December blizzard. You know the weather is bad when a meeting is cancelled in the U.P. due to snow. I like having 2009 in the rearview mirror of my mind because it allows for the illusion of a distant memory. As reality overcomes illusion, I remind myself that we shouldn't ignore this episode of our history. Instead, we should analyze it and attempt to build a program that could perhaps avoid such a gut-wrenching episode in our future.

The National Milk Producers Federation (NMPF), working with its member cooperatives and other members of the greater dairy farmer community, formed a "Milk Price Task Force" in June 2009. The Task force met over the summer several times to review the current pricing system we operate under and to receive input from other organizations who were working on systems each thought could improve the current economic system dairy farmers operate under.

The ideas around the table varied from removing all government involvement to total government control of supply and prices. The ideas that were presented covered a wide spectrum of options, highlighting the difficulty of developing a cohesive program that has the support of producers from every region of the U.S. Maybe I'm overly optimistic, but I think it is possible to build

a better system. There's no better time to do it than now, while our memories of the shortcomings of the present system are very fresh in our minds.

The NMPF Task force is moving forward by using the ideas presented to them to concentrate on building a "Foundation for the Future." That foundation includes a concept to somehow be able to insure a portion of the net margin between cost of production and revenue from production. The foundation also includes a revised CWT Program that would include options to make it appealing to more producers than it does now. Federal Order reform is another issue NMPF is working on, which focuses on "mending" the Federal Order system by removing inequities in the current system.

Three sub-committees have been formed to study and formulate a way forward in each of these three important building blocks under pinning our "Foundation for the Future." Work is underway by the sub-committees to refine concepts and explore the methodology to make them workable.

Trying to develop an income protection plan that would conceptually protect economic stability without allowing excess production that would undermine prices is complex. If we could protect the viability of every cow needed to meet demand, allow for new market expansion and heavily penalize any extra cows, I think we could achieve our goal. We have to find a way to send the message that we have a problem of excess milk, ideally before it happens, and, at the very least, when it happens—not

two, four or six months after the danger signs were first seen.

Does that mean that our price support program is obsolete?

Possibly, because it does provide a support price for other low cost milk producers around the globe. The U.S. is a competitive milk producing country and we have the ability to capture at least a portion of the growing market for milk and dairy protein around the world. Our ability to competitively produce a high quality product coupled with retaining a support price which allows excess production to be sold to the government essentially gives the low cost producer in New Zealand nearly the same guarantee. The New Zealander just happens to be located in an environment that allows for low cost production—even lower than our support price.

If our support program didn't exist, using this past year as an example, we would have seen prices drop even lower than they did but the lower prices would clear out burdensome supplies much faster and price recovery would occur much sooner. This is the time frame for which we are trying to develop a program. The concept may seem Pollyannaish, akin to "having your cake and eating it too," but I believe we can develop this idea into a successful, long-term dairy program.

While some of these ideas may seem sketchy at best, it is a beginning. We have a long road to travel, but I believe our dairy industry is working to lay a very solid foundation for the future, which will someday improve what we see in our rearview mirrors.

A handwritten signature in black ink that reads "Ken". The signature is written in a cursive, slightly slanted style.