

Farm Bureau against supply management plan for dairy

(Waupaca Wisconsin State Farmer, WI)

By Jan Shepel

The consensus of farmers at the recent American Farm Bureau Federation (AFBF) annual meeting in Seattle, Wash., was that they didn't want supply management for the dairy industry. Bill Bruins, president of the Wisconsin Farm Bureau Federation, said the national discussion mirrored the outcome of a policy discussion Wisconsin Farm Bureau delegates had last month.

In a round table with Wisconsin farm reporters, just after the Seattle meeting concluded, Bruins said it was only natural that several groups, including the Holstein Association, have been pushing pretty hard for programs that could help the industry avoid a severe downturn in dairy prices like the one they experienced in 2009, which created huge losses for dairy farmers.

"But a big chunk of the reason was a downturn in the world economy," Bruins said. "We lost 50 percent of our export market overnight."

Bruins, who is a Waupun dairy farmer, said the Cooperatives Working Together program and other factors have slowly had an affect on herd size and overall dairy production.

Milk production in dairy states, notably California is down significantly and will help supply come into balance with demand. "Bob Cropp is projecting 2010 to be an improving year, once we eat up the surplus, and at that point prices could become pretty volatile," Bruins said.

"I think it could be a pretty exciting year to be a dairy farmer again. In 2009, we had a lot of desperate farmers, who thought doggone it, if we could just control our supply," he said. "But we had this discussion on the delegate floor at our Wisconsin convention and concluded this is not going to help us."

Though there was a strong discussion in Wisconsin, the majority of members felt that such a program was not for them, he said. "They made a very strong statement. The same delegate discussion went on in Seattle, and they came to the same conclusion."

Bruins explained that any policy that passes at the AFBF convention requires the support of Southern states. "They were opposed to supply management. As a milk-deficit region, they felt that if they get tied to a base their ability to ever produce enough milk goes down the drain," he said.

However, Midwestern states were strongly opposed to any supply management plan as well, Bruins said.

Managing supply is in stark contrast to building markets, Bruins added. With a growing demand for protein in the world, government programs are the problem, Bruins said. Deregulating the industry and opening new markets are what the industry needs, he believes. "We are now in competition with the world."

The Seattle delegates held an hour of discussion on dairy policy, he said, and at the conclusion of that hour, the South Carolina Farm Bureau president introduced a resolution, which passed, that the organization make dairy policy a priority issue at AFBF. "That tells me that our policy is still in need of changing, improving. The South, along with Northeast and the

Midwest, recognize that changes are coming. The South is worried about losing their entire dairy industry,” he said.

Bruins also told reporters that when he saw the members that had been named to a U.S. Department of Agriculture (USDA) panel to chart future dairy policy, he was “extremely disappointed.”

“What it tells me is that maybe the fringe groups, niche marketers might get something out of this commission in the next farm bill,” he said. “But mainstream dairy farming will not be helped at all.”

He said he felt the USDA had “snubbed” Farm Bureau and the National Milk Producers Federation by not appointing their nominees and getting their input on the future direction of dairy policy. Bruins had pushed for the creation of the policy panel last year and had applied to be a member.

Three Wisconsin men were named to the panel, including state Agriculture Secretary Rod Nilsestuen, cheese maker Bob Wills and organic dairy farmer Jim Goodman.

Bruins said Farm Bureau will be in touch with the commission and will “lean on” Nilsestuen and “let him know what our dairy committee is thinking.”

In a separate item, Bruins called it a “watershed moment” when an AFBF task force that had been examining the national debt, recommended a move to balance the federal budget and eliminate the national debt.

They also proposed that agriculture lead by example by taking cuts in federal farm programs.

“This commission acknowledged that we are going to have to feel the pain and to fix our economy they advocated raising taxes to take care of things like Medicare and Medicaid. It did pass,” Bruins said, adding that he didn’t ever remember a time when the delegate body had advocated for raising taxes. 1-20-10

http://www.wisfarmer.com/content/headline_news/stories/Front-A-Jan-Bruins-1-22.php

[Top of Document↑](#)

2. Dean Foods' purchase of Foremost Farms USA division under fire

Suit seeks to undo deal involving De Pere plant
(Appleton Post-Crescent, WI)

The federal Justice Department thinks Dallas-based Dean Foods Co.'s 2009 purchase of a Wisconsin dairy operation has given it an unfair advantage over its competition, which has resulted in higher milk prices.

That's according to an antitrust lawsuit against the nation's largest dairy company filed Friday.

The lawsuit — filed in concert with attorneys general from Illinois, Michigan and Wisconsin — seeks to undo Dean Foods' 2009 purchase of Foremost Farms USA's Consumer Products Division and to require Dean to give 30 days notice before all future acquisitions of milk processing operations.

Wisconsin Atty. Gen. J.B. Van Hollen said it is important that competition is preserved in agricultural markets.

"Given the importance of dairy to our state, it is vital that consumers have choices when it comes to their milk purchases and that farmers have options when selling their milk to processors," Van Hollen said in a statement.

Dean Foods expressed displeasure with the lawsuit.

"Dean Foods is disappointed that nearly 10 months after the transaction closed, the Justice Department and the states of Wisconsin, Michigan and Illinois decided to challenge Dean's acquisition of the De Pere and Waukesha, Wis., fluid milk processing plants from the Foremost Farms USA Cooperative," said Marguerite Copel, a Dean Foods spokeswoman. "We are anxious to have the opportunity to defend this pro-competitive transaction in court."

Foremost Farms is a Baraboo-based member-owned business association whose members are dairy farmers.

In a statement, Foremost Farms said it wouldn't comment because only Dean Foods is named in the lawsuit. The statement said Foremost will continue to supply Dean with milk under their agreement.

In 2008, Foremost Farms Consumer Products Division had net sales of \$233.7 million. The deal gave Dean two dairy processing plants in Wisconsin, and left many school districts with only one milk supplier, according to the lawsuit.

Dean gained 57 percent market share in parts of Michigan, Illinois and Wisconsin through the deal.

Don Hietpas, chief financial officer for the Appleton Area School District, said Friday that the district's food costs overall have risen in recent years, driven mostly by higher costs for food itself and labor.

The school district's entire food service budget is \$5.5 million. It contracts its food services to Aramark.

"I'm aware that our dairy prices have gone up the past couple of years," Hietpas said. "I don't see the direct billings, but the rising cost of milk is something I have heard about from Aramark."

Before the sale to Dean Foods, Foremost's Consumer Products Division processed its members' raw milk at its plants in De Pere and Waukesha and other facilities.

The suit signals a shift of antitrust policy in Washington, where regulators have promised to take more aggressive action in an agricultural sector dominated by big firms that have consolidated market share over the last two decades.

"This is highly unusual," said dairy analyst Pete Hardin, who publishes The Milkweed industry newsletter. "This is the first bark we've heard from (the Justice Department's) antitrust division on food issues in a very long time. I think there are a lot of rabbits in the field where they're hunting."

Dean Foods has acquired more than 100 smaller companies since 1996, according to the lawsuit. Its April 2009 purchase of Foremost was small enough that the company did not have to seek prior approval from the department.

Starting in 2006, Foremost began to lose customers and slashed its prices to win back business from Dean Foods, according to the suit.

Copel said since the deal closed, Wisconsin dairy farmers have benefited because they now have a stable and growing outlet for their milk.

"The complaint challenging the Foremost transaction is unsound, both legally and economically," she said.

Sen. Patrick Leahy, D-Vt., who chairs the Senate Judiciary Committee, praised the action.

Dairy farmers in Vermont and elsewhere have complained for months that they have been hurt by low milk prices, even as big processors like Dean Foods keep milk prices high at the retail level and reap profits.

"The department is following through with its pledge to examine market consolidation in the dairy industry," Leahy said in a statement. "It is appropriate for the department to examine this acquisition closely, particularly at a time when dairy farmers are hurting, and dairy companies are not passing on savings to consumers." 1-24-10