

National Family Farm Coalition

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My name is Paul Rozwadowski. I am a dairy farmer in Stanley, Wisconsin, which is located in Federal Order 30. Additionally, I am Chairman of the National Family Farm Coalition's Dairy Subcommittee. I am here on behalf of the National Family Farm Coalition. We appreciate the opportunity to address issues associated with depooling, which are important to the public as well as all those involved in the dairy industry.

Although the National Family Farm Coalition is aware that the Hearing today is limited to the topics set forth in the Federal Register, we would like the record to note that while addressing depooling in today's hearing may seem to represent some progress towards solving the problems of Order Reform, it is quite likely that solutions will only be found in addressing the system as a whole. The National Family Farm Coalition's Dairy Subcommittee would request USDA to reopen the Federal Orders for a complete system reform.

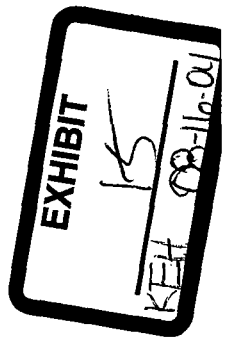
Speaking before the International Dairy Foods Association "Dairy Forum" about the proposed Order Reform, E. Linnwood Tipton said in 1998, "We are in a competitive world where price counts. Where creativity counts. Where innovation counts. We need less regulation and fewer marketing restraints to compete more effectively."¹

Federal Order Reform has been around for several years now, giving us ample data to judge its effectiveness. Price has counted. Since Federal Order Reform, farm milk price, adjusted for inflation, has fallen. The toll in farm loss has fallen heaviest upon the traditional family farm. At the same time family farms were being forced out of business, the public has been paying more for milk and other dairy products.

Nothing in the Federal Agriculture Improvement and Reform Act of 1996 gave any indication the results would represent a form of legal plunder. However, the "creativity" and the "innovation" mentioned by Mr. Tipton in 1998 resembles today the games that have been played with the pooling provisions of Order Reform.

It is worth noting at this point that the public is not experiencing any shortage of milk at this time. It is also important to note that the farm mailbox price for the Upper Midwest stands at the highest in the nation.²

There is a very good reason why farm mailbox prices in the Upper Midwest is comparatively high. Although we have lost huge numbers of farms and huge numbers of processors, the Upper Midwest still has the greatest competition for milk in the nation. This is coincidental to Federal Orders—not a result of Federal Orders.



¹ Dairy Foods, April 1998 http://www.findarticles.com/p/articles/mi_m3301/is_n4_v99/ai_20872542

² See Graph

Looking at other parts of the country, it appears that the 1938 Agricultural Act 608 (c) (7) (a), which states: “Prohibiting unfair methods of competition and unfair trade practices” was forgotten as soon as it was written. All of the issues regarding pooling and most of the problems of dairy could be solved by rigorous enforcement of that section.

If you consider those who have submitted proposal number 2, whose members include: Cass-Clay Creamery Inc., Dairy Farmers of America, Foremost Farms USA, Land O'Lakes, Mid-West Dairymen's Company, Milwaukee Cooperative Milk Producers, Manitowoc Milk Producers Cooperative, Swiss Valley Farms, and Woodstock Progressive Milk Producers (Mid-West, et. al.), what do you see? You see a partial list of those who have made the pooling issue a problem.

And it is important to note what these key players see as the “problem” to the Federal Orders. Are they asking for a correction of the problem? Certainly, it is a matter of fact that those players are perfectly willing to play the game in other orders—when it works toward their benefit.

For example, proposals one through six are all made by organizations that either directly or by association have reduced farm milk price to family farmers elsewhere in the country. At the same time, several have cut deals with bonuses to large farms. Is there any reason to think that proposals by those who have benefited from depooling are sincerely wishing to close all loopholes?

The Upper Midwest is not an island. The Upper Midwest does not stand alone. We are part of a national system, which should be working for everyone’s benefit. Restrictions in place did not prevent depooling in Federal Order One during April and May. Proposals One through Six appear to be nothing more than a cease-fire of the powerful players in the dairy industry.

Ken Bailey, dairy economist from Penn State, writing in 2001 in the Journal of Dairy Science said:

“It will be much more transparent than the old system. Before order reform it was difficult to explain to farmers how their milk check was determined if their milk was sold into multiple orders in any given month. With order consolidation, the remaining orders are much larger, reducing the chance that a dairy producer’s milk will be shipped into more than one or two federal orders.”³

He was wrong. It is not at all transparent. It is impossible to even follow the money.

Proposal No. 7 would increase the maximum administrative assessment rate for the Upper Midwest order from 5 cents to 8 cents per hundredweight. This is symbolic of the irony we deal with. While farmers in the Upper Midwest have, due to competition, been

³ J. Dairy Sci. 84:974–986 <http://jds.fass.org/cgi/reprint/84/4/974.pdf>

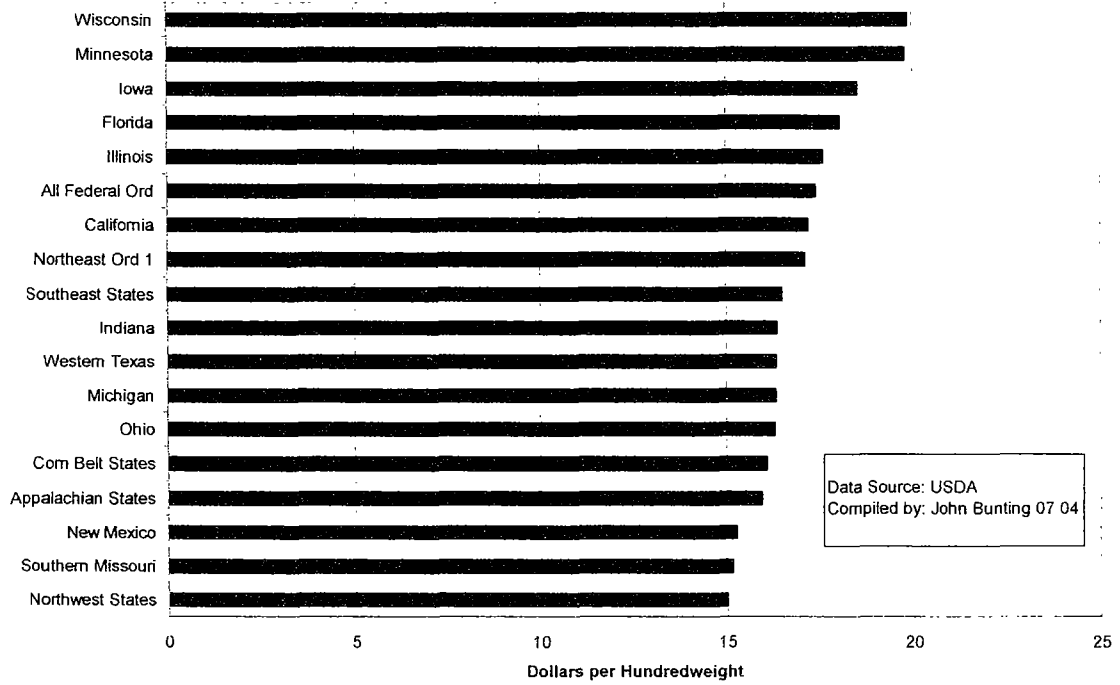
paid as if depooling did not occur, depooling has caused havoc to the system. As the result of depooling, money has been siphoned away from the Administration of Order 30. Proposal No. 7 represents only a symptom of the problem and not a solution.

The National Family Farm Coalition respectfully submits to the record that pooling problems are a national issue and must be dealt with on a national level. We would request additional hearings in Federal Orders that USDA is currently not examining.

This nation experienced the unthinkable in the year following Order Reform (9/11). Our public officials who instilled the components of the current Order Reform could not possibly anticipated America as it is in 2004.

While it might be in the best short-term interest of the key players in the milk industry to continue with business as usual, that is not where the public's interest lies. National Family Farm Coalition believes the entire Order Reform needs to be revisited. The present system rewards the powerful but at the same time makes the system more vulnerable. We feel the nation needs a healthy, resilient milk supply system. This can only happen by examining the entire system.

Mailbox Farm Milk Price April 2004



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Stanley, Wisconsin

On behalf of

National Family Farm Coalition