

## DAIRY BRIEFS

The Georgia Dairy Youth Foundation received 501-c-3 non-profit status in July. All donations made to GDYF are now tax deductible.

**The initial GDYF Board of Directors elected the first GDYF Board of Directors on August 20.** The Board will consist of 15 dairy producers and/or heifer growers and 9 industry, educators and volunteers.

**One Georgia dairy's bid was accepted for the recent CWT Herd Retirement.** For more information go to [www.cwt.coop](http://www.cwt.coop).

**Don Bennink, widely respected owner/partner of North Florida Holsteins,** of Bell, FL, has been named 2010 World Dairy Expo Dairyman of the Year. He will be honored at the Expo's Dinner of the Stars. He and his partners milk 4,000 registered Holsteins. He has been an industry leader in implementing practical improvements to cattle care, such as tunnel ventilation, and his quality honor rolls are a testament to cattle care at North Florida.

## GMP PRESIDENT REVIEWS NMPF'S PLAN FOUNDATION FOR THE FUTURE (FFTF): HOW WILL IT AFFECT OUR DAIRYMEN?



After reading over the 70+ pages of National Milk Producer Federation's (NMPF) current proposal, Foundation for the Future, and listening to hours of analysis conducted by various economists in Chicago this month, I'm wondering, who gets the future benefits from this plan - coops, producers, processors, retailers or consumers? Dairymen want a fair price for their milk but does **FFTF** help with that goal? I would like to review several parts of the **FFTF** plan below to open dialogue among Georgia producers and discuss whether this proposal is beneficial for southeast dairymen:

**Dairy Producer Margin Protection Program:** This concept discontinues the Dairy Product Price Support Program (**DPPSP**) and the Milk Income Loss Contract (MILC) in the next Farm Bill and converts the budgetary savings in the federal dairy baseline to establish a new Dairy Producer Margin Protection Program (**DPMPP**).

**DPPSP** support prices are about \$9.40/cwt of milk, which is too low to help dairymen stay in business. When the government does buy product (usually only nonfat dry milk (NFDM) in last ten years), this inventory slows the milk price recovery. **DPPSP** hurts our export market because powder plants can sell to the government instead of developing markets. As international prices falls below support price we stop exporting NFDM and sell to the government, making us unreliable exporters. As long as we have a **DPPSP** why would dairy manufacturers create new products or even produce other products (whole milk powder) that the world market wants? **DPPSP** program does provide a floor for milk producers' prices, but at what cost?

The MILC program has helped to keep the smaller dairymen in business but does not provide the same amount of support to the larger dairymen. Since getting MILC into the 2012 Farm Bill will be very hard, should we take the budgetary savings from **DPPSP** and MILC for the Dairy Producer Margin Protection Program (**DPMPP**)?

**DPMPP** will create an insurance program tied to the margin between the national average cost of feed, and national average all-milk price. Once farmers enroll in the program, they will receive indemnity payments during periods when their margins are severely compressed. Farmers would have the option of purchasing supplemental coverage to protect a higher margin level between feed costs and milk prices. Total government expenditures for the **DPMPP** Insurance program is designed so that payments will be less than the total for MILC and **DPPSP** currently being used over the life of the farm bill.

**Dairy Market Stabilization Program (DMSP):** This program goes into effect when the actual margin (determined using the same calculations of the **DPMPP**) is below a margin trigger level set (using a specific set formula) for two consecutive months. Once **DMSP** is triggered, producers whose milk marketings in a month are less than the required percentage of their base milk marketings would not be subject to a reduction in payment. However, producers who are over their base would not

receive any payment for overbase milk. The percentage of milk marketings on which payment will be based shall be determined according to a formula tied to the severity of the margin loss. A maximum reduction in milk marketings on which payment will be based will also be established according to a predetermined formula.

The program would cease once the margin trigger level has been exceeded for two consecutive months. The **DMSP** will cover all producers in all markets and will be collected by the Agricultural Marketing Service (AMS). To collect the money, AMS will use the same system currently in place that collects dairy promotion assessments. The program will apply to all milk marketed with no exemptions. The USDA will announce that the **DMSP** is being implemented 30 days in advance of the month in which the program goes into effect. Although not effectuated by AMS, the **DMSP** is intended to be a government program administered by that agency. The purpose of the monies collected through the **DMSP** is to effectively stimulate the consumption of dairy products both domestically and internationally.

**DMSP** is a supply management plan which encourages production increases until your margin is reduced to a point where the plan takes effect and then you get -0-dollars for milk over your base. This is a rather poor way to match supply with demand. This program is very unfair to people with higher value milk (Jersey or class I). For example a Georgia dairyman might pay \$15.00/cwt for his overproduction and a California dairyman might only pay \$9.00/cwt. In the Southeast our coops would have to go outside the Southeast to buy milk to supply the market. Imagine the "give up charges" that we might have to pay to get this extra milk along with the extra transportation costs. Georgia dairymen could easily pay 3X as much as dairymen located in a Class III market. **DMSP** could generate large sums of money to be spent on buying dairy products which will further depress milk price recovery.

It would be better to refund this money to dairymen who did not overproduce. At least the money would stay with dairymen instead of going to processors. This plan would be detrimental to Southeast production growth and would put Southeast producers at a greater economic disadvantage than now. Other parts of the **FFTF** plan will be discussed in future newsletters including the giving away of the higher of Class III or IV in setting the Class I mover. If this part of the plan had been implemented in the year 2000, the net effect would be the average loss of \$0.47/cwt in your milk check each month.

Please come to your district meeting. I plan to be at most district meetings to discuss this plan and answer questions.

Best Regards,  
J. Everett Williams



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# GEORGIA MILK REVIEW

September 2010



## AG SALES TAX EXEMPTIONS IMPORTANT TO INDUSTRY

The Council on Tax Reform and Fairness has completed their first round of public hearings and more are expected later this fall. The hearings across Georgia stemmed from the passage of House Bill 1405 by Georgia's General Assembly last session. The bill calls for the creation of a "Council on Tax Reform & Fairness" which will study Georgia's current tax revenue structure and report its findings and recommendations no later than next January.



Many agriculture organizations and farmers have testified at the hearings, stressing the loss of jobs and productivity if agriculture sales tax exemptions were limited or eliminated. Below are talking points for you to use when discussing your concerns with your state legislators:

- Restructuring Georgia tax law could have big impacts on farmers
- Farm sales tax exemptions include seed, feed, fertilizer, chemicals, equipment, & other inputs. We believe these inputs should be exempt.
- Farmers are price takers
  - Cannot affect the market
  - Cannot pass on costs
  - Can only absorb additional costs
- If farmers lose sales tax exemptions for their input costs, those costs will come directly from the bottom line with no corresponding benefit.
- If these exemptions were lost, many Georgia farms would be in jeopardy. For example a 300 cow dairy herd in Georgia that incurs \$750,000/year in feed costs will have \$52,500 exempt in sales taxes (assuming 7% sales tax).
- Margins are not there in agriculture to absorb these costs.
- Sales taxes are empty costs...no corresponding value or efficiency
- Agriculture is important to Georgia; we can't afford to lose it. In two thirds of GA counties, agriculture is the #1 or #2 business.
- In 2008, agriculture & related processing had a \$65 billion in economic impact and provided 351,000 jobs statewide.

(Source: Georgia Farm Bureau, Georgia Agribusiness Council)

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## DAIRY BRIEFS

### **FOR SALE: Two tickets for the Georgia / Florida Game.**

The seats are located in Section 222, Row J Seats 7 & 8. All proceeds from the sale of these tickets will go to the Georgia Dairy Youth Foundation (GDYF). Thank you, Dr. Guthrie, for donating the tickets. If interested in purchasing the tickets or becoming a member of GDYF, please call Farrah Newberry at 706-310-0020.

Producing and consuming milk in the United States accounts for 2 percent of the nation's climate-changing emissions, according to a new report from the Innovation Center for U.S. Dairy.

An industry-backed project tracked milk from farm to processing plant to grocery store to consumer. Their findings deal with emissions of carbon dioxide and other gases believed to be building up in the atmosphere and causing a general warming of the planet.

For more information or a complete copy of the study go to [www.usdairy.com](http://www.usdairy.com).

## GMP PRESIDENT REVIEWS NMPF'S PLAN FOUNDATION FOR THE FUTURE (FFTF): HOW WILL IT AFFECT OUR DAIRYMEN?

### PART 2



In last month's newsletter, I expressed my concerns for the Dairy Market Stabilization Program and the Dairy Producer Margin Protection Program. These two components, along with the elimination of the Dairy Product Price Support Program (DPPSP) and Milk Income Loss Contract Program (MILC), are fundamental parts of National Milk Producers Federation's (NMPF) Foundation for the Future (FFTF) proposal. Another component that needs to be examined and could be potentially harmful for the Southeast dairy industry is NMPF's reform of the Federal Milk Marketing System.

In Federal Milk Marketing Order Reform: NMPF states that they intend to develop a milk pricing system that compensates producers fairly, reduces price volatility, and creates a more dynamic dairy industry. As a result, revisions to the Federal Milk Marketing Order program presently under consideration include the following:

- 1). Maintain a minimum price for class 1 mover which is a national weighted average of only Class III competitive pay prices.

*In this part of FFTF, dairymen trade off the benefit of using the higher of Class III or Class IV price being used to set the Class I mover. The bottom line is that Class I producers checks would have decreased an average of \$0.47/cwt for the last ten years if the "higher of" Class III or Class IV had been eliminated. Also, if only the Class III price had been used to set the Class I mover, our price volatility would be even greater.*

- 2). Maintain a minimum Class II price which would be the national weighted average of advanced Class III competitive prices plus a 30 cent differential.
- 3). Institute a new Class III price that would be a competitive pay price and no longer be maintained a minimum price. The competitive pay price would be based on regional surveys of both regulated and unregulated proprietary cheese plants processing a minimum of 500,000 pounds of milk a day and covering all varieties of cheese.

*Our present way of setting Class III price uses the price of cheese less a make allowance to arrive at a Class III price. This new competitive Class III pay price is somewhat like the old Minnesota-Wisconsin price. Some people think that this way of setting the Class III price would be about \$0.40/cwt higher than the present Class III price. We hope that NMPF will supply supporting evidence.*



- 4). Maintain a minimum Class IV price using the present formula with the addition of an indexing feature for energy costs.

*Why would you change the Class III price to a competitive price and leave Class IV price an end product price with a guaranteed profit for the plant (make allowance)?*

- 5). Establish the lowest regional competitive Class III price as the pool draw base.

*This would allow diversions to draw more money from the pool and SE dairymen would have a lower blend to pay bills with. We need to encourage SE milk production and we do not want SE market money to move to distant milk supplies.*

- 6). Fund balancing/transportation pools from Class I processors as a result of eliminating the "higher of" feature as the Class I mover.

*These funds would be used to help pay for some of the balancing costs but would dairymen gain enough to offset the \$0.47/cwt loss by eliminating the "higher of" feature of Class I mover.*

Reforming the Federal Milk Marketing Order Program is a major undertaking for NMPF. There needs more work and economic analysis completed to fill in the blanks of FTF. It would be good if NMPF looked at Class I milk as a value added product. (It costs a lot more to supply fluid milk in the east than to produce cheese or powder in the west.) The coops of the SE must work together to price Class I milk as a value added product. Only then can we reverse the decline of milk production in the Southeast.

**Best Regards,  
J. Everett Williams**

## ***S.E. DAIRY COALITION MEETS AGAIN, ELECTS CHAIRMAN***

As a follow up to the August 5 multi-state meeting in Athens, Tennessee, dairy producers from Virginia, North Carolina, Georgia, Kentucky, Tennessee, Mississippi and Arkansas returned to the table on Sept. 9, in Atlanta, where they voted to form the Southeast Dairy Coalition.

On regional issues, the Southeast Dairy Coalition (SDC) will serve as a steering committee bringing together multiple Southeast organizations. On national issues, SDC will provide a communications link and be affiliated with the Dairy Policy Action Coalition (DPAC), whom they thanked for inspiring them to come together as a regional assembly of dairy producers.

Dr. Ben Shelton, a North Carolina dairy producer and veterinarian, was elected to chair the SDC. They also agreed on one producer from each state to form the core working group. Plans are underway to have an October Southeast Dairy Coalition meeting after DPAC's next board meeting on September 30.

(Source: Sherry Bunting, Farmshine/DPAC)

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## DISTRICT MEETINGS BRINGS DAIRYMEN AND INDUSTRY TOGETHER

Thank you to all producers and industry officials that attended the 2010 ADA of Georgia and Georgia Milk Producers annual fall district meetings. Ten district meetings were held across the state during September with approximately 270 people attending. Congratulations to Eugene King of Macon County for winning the \$500 grand prize for attending this year's district meeting. If you have any suggestions to improve the meeting in your district please give call Farrah Newberry at 800-337-0555.

## SE DAIRY HERD MANAGEMENT CONFERENCE SET FOR NOVEMBER 3-4



The 2010 Southeast Dairy Herd Management Conference will be held on November 3-4, 2010 (Wed 1:00 PM -Thu 3:00 PM) at the Georgia Farm Bureau Building in Macon, Georgia. **Speakers and program topics were chosen to help all dairymen prosper in difficult economic times. Every attendee will hear information to improve their bottom line now.** To view a meeting agenda, go to [www.gamilk.org](http://www.gamilk.org), then November Calendar Page.

The registration fee of \$80.00 includes admission to both sessions, break refreshments, meals, and one copy of conference proceedings. The registration fee for one session (one day) is \$50.00, which includes break refreshments, dinner or lunch, and one copy of the conference proceedings. **NOTE: Registration is waived for producer members of the GA Milk Producers for both days.**

## VISIT THE SUNBELT EXPO ON OCTOBER 19 - 21

A diverse array of labor-saving products, cutting edge technology and interactive educational exhibits awaits visitors who attend the 33rd Sunbelt Ag Expo on October 19-21, 2010, in Moultrie, Georgia. As North America's Premier Farm Show™, the Expo attracts more than 1,200 exhibitors and 100,000 attendees.

From farm to market, garden to field, classroom to home, the Expo truly has something for everyone. The Expo is located four miles southeast of U.S. Hwy. 319 on Georgia Hwy. 133. Show hours are 8:30 a.m. until 5:00 p.m. on Tuesday and Wednesday, and 8:30 a.m. until 4:00 p.m. on Thursday. Admission is \$10 per person per day, with children ages 12 and under admitted free with a parent.

Georgia Milk Producers and ADA of Georgia will have a booth located in the NEW dairy pavilion. Nicole Karstedt and the Mobile Dairy Classroom will hold daily milk demonstrations during the expo as well. For more information, check the Expo Web site: [www.sunbeltexpo.com](http://www.sunbeltexpo.com)

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