

President's Letter
Gary Bonestroo
September, 2006

Greetings, fellow soggy, greater southwestern dairymen. I want to take this time to remember Doug and Debbie Idsinga. They were lifetime friends of Wendy and mine as they were with many other people. Their personalities shined wherever they went, and we will miss them greatly for the joy they brought into everyone's lives. Our prayers go out to Doug Jr., Dawn, Darci and Derek and the entire Idsinga family. We must remember our sorrow is Doug and Debbie's happiness because they are in a better place. It also reminds us of how fast our future can change, and we need to remember how good we have it.

With kids back at school and a hint of fall in the air, we move into a new season and hopefully, better milk prices. The production report for July was up 1.5%. That is hard for me to believe; for what I have seen in the past, the revised report is almost always lower.

Ben and I had the honor to be invited to the U.S. Senate Ag Committee field hearing where I testified for Dairy Producers of New Mexico on the 2007 Farm Bill. I gave them our position on the upcoming Farm Bill which included, that dairy producers in the southwest represent the future for the entire dairy industry; therefore policies established in the 2007 Farm Bill should reflect what our industry will look like in the future. The reason why we say this is, is because of the changes we have witnessed such as: a shift in production from the Midwestern states to Western states; a decline in Class I usage of milk and technological advances that now permit raw milk to move easily across the country, creating a national market rather than regional markets.

Two central realities our members want Congress to consider as they examine dairy programs are (1) that we operate in a national, not a regional market, and (2) that the protection that dairy farmers need from the government in 2006 is vastly different from the protection that dairy farmers needed in 1936. We do not believe that the government can or should be the salvation of dairy farmers. Government certainly has a role, but often the "help" that has come from Washington has been our problem. We would like to see recognition that we are a national market. This will mean the end of programs that are intended to favor one region or locality. It will also mean the end of state milk marketing programs and the birth of federal assistance in transitioning to a fully national program.

The role of the federal government will have to include providing government oversight through insuring all producers receive fair prices for their milk; audits and inspections to insure that the pricing is done in accordance with contracts; and empowering USDA to participate in early, quick and effective negotiation, mediation and binding arbitration of producers' plant disputes.

The price support program provides a necessary safety net, but it needs to focus on the valuable components of milk that USDA prices (butterfat, whey, and protein) rather than on products such as butter, powder and cheese. Dairy producers in the Southwest have outgrown the price support program in the sense that we have been able to develop new products which have a market demand rather than rely on CCC to buy surplus production.

Government policy should be used to encourage and support the development of cooperative agencies such as the Greater Southwest Milk Marketing Agency and to allow the negotiated prices between that agency and its markets become the basis for any government role in terms of enforcement of pricing and fairness. We have demonstrated that producers and processors can bargain without extensive government intervention.

The government should encourage and facilitate cooperation between producers and processors in the development of products, construction of plants and operations of plants in which all parties share in the risk, the investment as well as the reward.

Regulations regarding health and the environment should encourage the healthiest milk possible as well as one that encourages the highest level of environmental stewardship. While our members welcome science-based regulations to protect our natural resources, we must recognize that we operate in a world market and virtually none of our competitors have anything close to this level of regulation imposed upon them. We support standards-based regulations that can be met in the most efficient way, as opposed to federal mandates in terms in the types of processes that may be used at the farm.

What dairy farmers need are markets, not government payments. These markets are not just the Class I markets that have driven our industry for nearly a century, but markets of all kinds of dairy products and products that use ingredients that come from milk. We need markets both in the U.S. and internationally. We need markets for traditional dairy products and markets for our ingredients.

Because trends demonstrate that economic forces are driving the dairy industry toward a future with fewer and larger producers, we need policies that do not interfere with the size of operations. We oppose direct farm payments to dairy farmers whether in the

MILC program or under the previous DMLA programs. In the long run, these well-intentioned programs provide no financial assistance to even the smaller dairy farmers because increases in production result from the additional payments. When farmers should be decreasing production, direct payments spur expansion. Those increases, in turn, skew the balance of milk supply and milk demands and depress prices. This extends periods of low milk prices and, when milk prices are at their lowest, require the Treasury to make additional expenditures under the dairy price support program.

Producers should have a greater role in establishing the way milk is marketed. The GSWA is one such producer-driven practice that has been beneficial to producers and processors. NMPF CWT program is another producer funded and run program that has reduced production and opened up international markets. Government policies should not be designed to favor farming in one region over another. Markets should dictate the most efficient locations for farms in conjunction with the supply of water, feed, space and availability of markets for those products. Similarly, economic forces should dictate where bottling and manufacturing plants are located, not government policy. Currently, the Federal Order Program with its pricing differentials, pooling requirements and other nearly incomprehensible regulations create unnecessary incentives for buyers of raw milk to locate plants in places that may no longer be efficient. At the same time, Federal Order regulations allow for milk outside of those markets to improperly participate in the pricing. DPNM has been a strong supporter of the Federal Order system and has actively participated in the hearings regarding pricing issues in order program. But because the market conditions that existed during the Great Depression do not exist today, unless they are changed, the Federal Orders risk hamstringing future producer successes.

Currently there is a fight over the Class III and IV make allowances. The Secretary properly found that those wanting higher make allowances, which means lower producer prices, failed to provide evidence in support of that program. All of the milk in the Southwest is priced on an index that uses those prices. Every penny the Class III or IV drops, we would see a penny drop in our milk price. The proposed regulations, if adopted, would reduce producer income in our region by over 5 million dollars per month. With rising energy costs, lower milk prices and heat-related reductions in production, we are already in a tight economic condition. Such a collective loss would have hurt us severely. Our experience would be shared in the same way throughout the Nation by all producers.

In closing, words for thought by Gage Bonestroo: "Even though we may wish it, life is not a painting or a picture, but a moment in time captured. Life is moving, flowing, experienced. No moment can last forever but only as memories within us and between us." With that thought in mind, let us not take life and all the wonderful moments we are blessed with for granted.

