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President's Proposed Budget Would Impact Dairy Programs

The Bush Administration unveiled its proposed budget for Fiscal Year 2007 last week. Among the nearly \$9 billion in agriculture program cuts are three areas of great concern to dairy farmers: reducing the value of the price support program, cutting MILC payments by 5%, and taxing farmers 3 cents per cwt. on all of their production.

The most important thing to remember at this point is that the White House's initial budget proposal is just that: an opening proposal in the annual political ritual that the Administration must engage in with Congress. The budget will be reviewed and modified by both the House and Senate in the coming months, and it is unlikely that many of the suggested changes will become law.

The changes need approval from Congress, which is far from a certainty. They would take effect for the fiscal year that begins Oct. 1.

The dairy cuts are part of an agriculture budget aimed at reducing spending on commodity programs by \$1 billion.

MILC Payment Rate		
Year	Class I Base	Payment Rate
October '05	14.27	0.000
November	14.56	0.000
December	13.57	0.0408
January '06	13.38	0.1054
February	13.38	0.1054
<i>March</i>	<i>12.40</i>	<i>0.4386</i>
<i>April</i>	<i>11.82</i>	<i>0.6363</i>
<i>May</i>	<i>11.71</i>	<i>0.6720</i>
<i>June</i>	<i>11.83</i>	<i>0.6316</i>
<i>July</i>	<i>11.76</i>	<i>0.6577</i>

In related news, the MILC program was extended through August 2007 upon approval by the President last week. If the Class I base price drops below \$13.69, farmers are eligible for a USDA payment equal to 34% of the shortfall. This percentage is down from 45% in previous fiscal years. The extended payments will be retroactive to October 1, 2005, and are capped at 2.4 million lbs. of milk production per fiscal year.

Farmers will likely need to contact the Farm Service Agency to renew their participation in the program. FSA will issue its directions for this new signup, and is expected to be relatively flexible as to the farmers' choice of a start date for payment.

*Months in italics are projections.
Based on futures as of February 10, 2006.

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August	11.98	0.5806
September	12.31	0.4689

Conclave Meetings Bring Together Hundreds of Farmers

Nearly 200 dairy farmers from across the country attended the three Dairy Producer Conclave meetings held recently in Sacramento, Chicago and Washington. Their collective input concerning the policy priorities of America's dairy producer community will be instrumental in shaping NMPF's positions on the upcoming Farm Bill.

The next step in the Conclave process will be an internal staff review of all of the items discussed at each of the meetings, with a special emphasis on those topics that were prevalent at all of the meetings. That list of priority issues will be shared soon with the NMPF Board of Directors, and then with other dairy and farm organizations that sent participants to the meetings. Ultimately, the final consensus document will be shared with regulators and elected officials, especially as Congress develops the 2007 Farm Bill. The process is similar to the one used six years ago that produced a 24-page list of [consensus items](#) prior to the creation of the 2002 Farm Bill.

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Dairy Funds Approved for National Air Emissions Research

On January 24, 2006, the National Dairy Board (NDB) voted overwhelmingly to approve the use of dairy check-off funds to be used for the National Air Emissions Monitoring Study. This past fall, Congress approved legislative language to allow NDB to vote on the one-time use of the dairy check-off funds.

The dairy industry will now be participating in the National Air Emissions Monitoring Study, the two-year research that will take place as part of the EPA Air Consent Agreement. To ensure the dairy funds are properly used, two dairy industry representatives will join the Agriculture Air Research Council, the non-profit group established to oversee the air emissions research.

EPA has reported that nearly 600 Air Consent Agreements have been received from dairy farms. Several Dairy Environmental Task Force members have met with Dr. Al Heber of Purdue University, the overall coordinator of the research for the dairy, swine, and poultry projects, to begin selecting the first dairy site in California. Task Force members in the various regions of the country will work with the principal investigators and Dr. Heber to select the other dairy sites.

For more information, contact [Daniela Bals](#).

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NMPF Continues Efforts to Reduce Impact of Byrd Amendment

NMPF and USDEC Staff traveled to Mexico last week to meet with high level government

officials concerning the ongoing trade restrictions imposed on U.S. dairy blend exports to Mexico. In August 2005, Mexico exercised its right to impose retaliatory tariffs of 30% on U.S. dairy blends in response to the fact that the U.S. had not yet repealed the "Byrd Amendment", a U.S. law that the WTO has ruled to be illegal. This high tariff has the potential to curtail significant quantities of U.S. dairy exports. NMPF has been working closely with the U.S. Dairy Export Council to try to resolve this issue as swiftly as possible so that full trade can resume with the U.S.'s number-one export market.

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U.S. Agrees to Negotiate Trade Agreement with South Korea

The U.S. government announced that it will launch free trade agreement negotiations with Korea. Economy-wide, Korea is the United States' seventh-largest trading partner in terms of two-way trade, and fifth-largest market for U.S. agricultural goods, while the United States is Korea's second-largest trading partner and its largest source of foreign direct investment.

NMPF and the U.S. Dairy Export Council wrote to U.S. Trade Representative Robert Portman in support of this decision to move forward with discussions with Korea. "This country is one of strategic importance to the U.S. dairy industry and we welcome this undertaking," said Jerry Kozak, President and CEO of NMPF. "Not all trade agreements are in American dairy producers' best interests; but a properly negotiated deal with Korea would provide us with an expansion in trade."

Despite heavy market access barriers to dairy imports, the U.S. exported \$46 million of dairy products to Korea in 2004. Last year saw a significant expansion in U.S. dairy shipments to Korea, likely totaling approximately \$58 million for 2005.

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February NMPF Regulatory Register Now Available

The Regulatory Register is a timely publication produced by NMPF on a quarterly basis. This publication is for dairy cooperatives and producers and details recent regulatory activity directly impacting the operation of their farms and manufacturing facilities. The publication highlights the following areas of regulatory affairs: Environmental, Standards and Labeling, Food Safety, Animal Health and International.

The Regulatory Register is posed on the NMPF [website](#). Please contact [Daniela Bals](#) for more information on this publication.

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NMPF National Dairy Leadership Scholarships

The National Milk Producers Federation is now accepting applications for the 2006 National Dairy Leadership Scholarships. Each year, NMPF awards three or four scholarships to outstanding graduate level and Ph.D. students who are pursuing research of direct benefit to milk marketing cooperatives and the dairy industry. Applications are due April 28, 2006. For an application, visit the NMPF [website](#) or contact [Daniela Bals](#) at the NMPF office.

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Torgerson Book Reviews History of Dairy Cooperatives

America's farmer-owned cooperatives are facing unparalleled challenges in today's fast-changing rural environment. This is the story of how one of the most progressive farm leaders of the 20th Century led the way toward meeting those challenges through market-oriented business activity.

Truman Torgerson was a pioneer in organizing and leading Wisconsin's Lake to Lake Dairy Cooperative, a prototype of the successful member-owned business of the future. It established a national market for quality, natural-packaged cheese. He played a decisive statewide role through state business alliances, including establishment of the Wisconsin Federation of Cooperatives, regionally as an elected officer of Land O'Lakes, and nationally as a policy maker in the National Milk Producers Federation. He was also an NCAA boxing champion who later served as President of the University of Wisconsin Alumni Association.

The book includes the remembrances of over 95 contributors who shared the journey with him through early childhood, school experiences and career work. It captures the principles and practices that helped make Lake to Lake and cooperation among farmers in the Midwest one of the best examples of successful market-oriented business activity in the nation.

Copies of the paperback book can be ordered directly from Authorhouse at: <http://www.authorhouse.com/BookStore/ItemDetail.aspx?bookid=34725>, or by using its Book Order Hotline at 888-280-7715. Price of the 470-page book ordered through Authorhouse is \$17.30 plus shipping and handling. It is also available through retailers nationally at a somewhat higher price.

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Associate Member Focus: Michael Best & Friedrich LLP



[Michael, Best & Friedrich, LLP](#), is one of the Midwest's oldest and largest law firms. It was founded in 1848 by the noted trial lawyer Edward G. Ryan, who later served as Chief Justice of the Wisconsin Supreme Court. Today, the firm comprises more than 250 attorneys in six locations, including Milwaukee, Madison, Waukesha and Manitowoc, Wisconsin; Chicago, Illinois and Lehigh

Valley, Pennsylvania.

Dave Crass is the company representative and is Office Managing Partner of the Madison office and focuses primarily in the areas of environmental/regulatory law, land use and agricultural law. David can be reached at 608.257.3501 or at dacrass@michaelbest.com. You can find out more information about Michael Best & Friedrich LLP through their [website](#).

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