

**Statement before the U.S. Department of Justice & U.S. Department of Agriculture  
Workshop on Agriculture and Antitrust Enforcement Issues**

**Wisconsin Farm Bureau Federation President William C. Bruins**

**June 25, 2010  
Madison, Wisconsin**

On behalf of the Wisconsin Farm Bureau Federation, I am pleased to provide comments on competition issues affecting the agricultural sector and the appropriate role for antitrust and regulatory enforcement in agriculture. While the focus of this workshop is on competition within the dairy industry, I will also comment on need to maintain the Capper Volstead Act, which provides limited antitrust immunity to cooperatives. As the general manager of our family's 600 cow dairy, which I own with two sons, I believe I can provide some insight into the need for continued competition and the need for changes to federal dairy policy.

**Support and Maintain the Capper-Volstead Act**

The cooperative business model is alive and well in Wisconsin. According to Cooperative Network, the association that represents cooperatives in Wisconsin and Minnesota, there are 865 cooperatives with 2.9 million members in Wisconsin. They include credit unions, dairy, electrical utility, farm supply and fuel, health care, grocery and consumer, senior housing, and mutual insurance companies. The Wisconsin Farm Bureau Federation and its affiliate companies, Rural Mutual Insurance Company and Growmark, Inc. are organized as cooperatives.

For more than 100 years, farmer owned cooperatives have given individual farmers a fair chance to compete. Cooperatives act as bargaining agents; provide market intelligence; and help farmer members engage in value added processing. Cooperatives provide members with all the tools necessary to run a successful farming operation – including credit, financing, feed, seed, fertilizer, fuel and other crop production products. Cooperatives allow individual farmers to truly participate in the food and fiber system, all the way from the farm to retail – some of the most innovative products and recognizable brands on grocery store shelves are cooperative creations.

One of the core traits of cooperatives is that they provide strength in numbers for their members. Farmers, who are generally very independent, come together so that they can, combined, achieve business objectives that would be nearly impossible for any single farmer to do on his own. Cooperatives preserve family operations and help individual farmers better succeed in the global marketplace. Cooperatives help farmers pool their risks and better manage agriculture's inherent volatility. They also have built well known brands that you see every day on the supermarket shelf; they've even built the relationships and networks to help expand the demand for these brands in markets overseas.

The most important aspect to remember, the basic fundamental fact about cooperatives is that they are owned by their producer members to meet their business and farming needs. Whether a farmer has a 150 cow dairy herd or 1,500 acres of corn and soybeans, farmers need their

cooperatives regardless of size. Farmers govern their cooperatives' boards and guide or make all of the important decisions, ensuring that cooperatives are accountable to their farmer members.

Created in 1922, the Capper –Volstead Act gives farmers the legal right to join together in cooperative associations for their mutual benefit. The Capper Volstead Act gives agricultural producer organizations limited antitrust immunity “in collectively processing, preparing for market, handling, and marketing.” It also permits such organizations to have “marketing agencies in common.” The Capper-Volstead Act also gives the Secretary of Agriculture authority to prevent cooperatives from using their market power to unduly enhance the price of the products they market. These provisions need to be supported and maintained.

### **Creating More Competition in the Dairy Industry**

Compared to other areas of the country, in Wisconsin, the competition between milk processors for milk is excellent. As a dairy farmer, I can ship my milk to several nearby processors. In fact there are around 100 buyers, both cooperatives and proprietary businesses, registered with the state. These processors, both large and small, produce a number of dairy products.

For years, the Wisconsin Farm Bureau Federation has been committed to creating a more market oriented national dairy policy which focuses on supplying milk and dairy products domestically while increasing our market share in international markets. It is our contention that the dairy industry is over regulated, stifles innovation and that a more market oriented policy could in fact increase competition among buyers of milk.

The price support program, which has been touted for years as an effective safety net no longer serves that purpose for several reasons. The price support program does not provide a true floor price and increasing the price support will trigger over production of milk and the subsequent purchases of dairy products by the federal government.

Due to changes in the way cheese is manufactured and marketed, the price support program and the Commodity Credit Corporation (CCC) purchase program are not as valuable to the government as they were in the past. In fact, the products now being purchased are not those in high demand or of high value.

It is important to point out that the issue of price fixing generally makes the headlines when prices are low to dairy farmers. As a dairy farmer, I don't like it when prices hit the levels they have been at for the last several months. But, we need to remember that there were no calls by dairy farmers or the government of price fixing on the high side when we were receiving prices in excess of \$20 per hundredweight for our milk. At that time the market was working.

It is my contention that the price support program is a price fixing program by the government on the low end. It restricts product development and competition.

With the creation of the USDA Dairy Industry Advisory Committee, the dairy industry once again has an opportunity to advocate policies that move the industry forward to meet the needs and demands of consumers worldwide and not remain entrenched with antiquated policies that maintain the status quo.

The WFBF believes there are several policy options, which need to be thoroughly discussed and analyzed, which could make the dairy industry more market-oriented, competitive and provide dairy farmers and processors with opportunity to capture new and expanding markets.

Options include:

- Eliminating the dairy price product support program and purchases of cheese, butter and nonfat dry milk by the federal government. The price support program has proven to be an ineffective safety for producers and purchases by the federal government prolong low prices because these products eventually have to be put into the market.
- Eliminate the product price formula to establish base prices and move to a competitive pay price.
- Reduce the number of classes of milk from four to two. Class I for fluid milk and Class II for all manufactured products.
- Make changes to federal milk marketing orders to allow for the orderly movement of milk to supply fluid milk needs. Federal order prices should not be set at levels that encourage production. Classified pricing and pooling need to allow for the adoption of new technology and product development and allow raw milk and its components to be priced at the highest and best use. WFBF advocates a single federal milk marketing order.

The WFBF is adamantly opposed to the adoption of government approved supply management programs, but is supportive of producer operated programs such as Cooperatives Working Together. Supply management programs promise farmers and processors a stable, profitable price in return for reducing production. This type of policy will cause the U.S. dairy industry contract which will result in little opportunity to take advantage of a growing world market for traditional dairy products as well as markets for milk components. Further, supply management programs, which require producers to establish a base, makes it even more difficult for persons to enter the business since the base takes on value.

To address price volatility, WFBF believes that both private and government risk management programs could be incorporated into a national dairy policy. They include: risk management insurance programs, margin protection programs, tax deferred farmer IRAs, and a target price deficiency payment program. (MILC)

To assist with exports and help competition, WFBF believes several USDA export assistance programs need to be continued and expanded.

The Market Access Program (MAP) is designed to encourage the development, maintenance and expansion of foreign markets for U.S. agricultural, fishery and forestry products. MAP utilizes a public-private sector cooperative arrangement to share costs of marketing and promotional activities. The program links small businesses, agricultural cooperatives, nonprofit state/regional trade groups, nonprofit U.S. agricultural trade associations and USDA.

Similar to MAP, the Foreign Market Development Program (FMD) provides cost share assistance to U.S. nonprofit trade associations to conduct market development activities. Under

the program, USDA enters into agreements with nonprofit trade organizations that have the broadest producer representation of the commodity being promoted. The focus of the program is on exporting value added products to developing markets.

Another small, but beneficial program is the Emerging Markets Program (EMP). This program assists public and private organizations in providing technical assistance to promote market development, improve market access or assist in the development of emerging market economies.

In conclusion, federal dairy policy is fixing price at a level that does not benefit producers anywhere in the United States. With the federal government purchasing butter, powder and cheese producer pay prices are held down until surplus products are put back on the market and used up. Current dairy policy fixes prices at levels that restrict access to world markets. For these reasons, as a dairy farmer, I would strong urge the Depart of Justice and USDA to support changes to federal dairy policy which allow us to supply domestic needs and gain access to world markets where 96 percent of world's population lives.