

MILK POWER NEWS

Karl Hanson, 48896-510th St, Perham, MN 56573, 218-346-5945 ~ March 2002 ~ Vol 1

MILK POWER Means Returning To Our Co-op Roots For Market Value Prices

Dairy farmers! It's time we face the fact that our co-op processors aren't paying us the true value of our milk. They want milk as cheap as they can get it; we want milk prices at real market value. If co-op processors aren't paying us market prices for milk, what do we do about it?

Half the answer is the **Milk Power Bill** to establish a state marketing order and marketing board, with auditing power, to price milk according to its true market value. It has passed most State Legislative Committees. The other half of the answer is creating a farmer-run co-op that abides to original co-op principles. Both solutions are based on the following Mission Statement:

MILK POWER Mission Statement

Whereas, co-op processors want milk as cheaply as possible for processing and profit;
Whereas, they can't serve both their processing interests and the members' economic interests;
Whereas, these conflicting interests have caused them to abandon the co-op principles of working for members' economic sustainability;
Whereas, there is no longer competition among the handful of processors in the state which is costing members, in our estimation, \$.10 on the dollar;
Whereas, instead of working for farmer-members, the co-op processors advocate expansion of our operations and competition against our neighbors, against farmers in other regions of our nation, and against farmers in other countries;
Whereas, competition against ourselves keeps us in economic bondage to the processors;
Therefore, the **Mission of MILK POWER** is to return to the co-op principles of farmers uniting for economic power as mandated by the founders of the cooperative movement.

First, the Milk Power bill will establish a state milk marketing order and marketing board, with **auditing power**, to price milk according to its true market value based on the previous month's sales of all dairy products. Being paid by the actual market value of our product will keep us in business without dependency on government. Processors will continue to be guaranteed a profit by their federal make allowance, Minnesota will stop losing an average of 2 dairy farmers per day, and our industry will survive. It's working in other states; it can work here.

Let's look at the facts:

1. Minnesota dairy farmers are paid \$.39 less per cwt. than anywhere else in the country. For 9.5 billion pounds in 2001, that's \$37 million per year.
2. In 1980 Minnesota had approximately 862,000 dairy cows; today there's 474,000, a 45% loss, or 388,000 cows.
3. In 1984 Minnesota milk production was 10.9 billion pounds; the 2002 estimated production is 9 billion pounds which is a 17% loss.
4. Most harmful is the purchasing power of cwt/milk which is about half of what it was in 1980.
5. Our profit share of the retail dollar dropped from \$.52 in 1980 to \$.24 today.
6. Daily, 2 dairy farmers go out of business. At this rate, fewer than 1,000 will be left by 2012.
7. In 1980 Minnesota had 25,328 dairy farmers; today there's 6,954 of us which is a 73% loss.
8. Minnesota had 88 plants in 1980; today there's 38 which is a 57% loss.

9. Today there's limited, if any, competition among the state's handful of processors which comprise the MN Association of Cooperatives (MAC), the primary purchaser of our milk.

2.

Here' how the Milk Power Bill works:

1. You and the other dairy farmers in the state will have the right to vote in a referendum to establish a state marketing order and board.
2. One farmer, one vote. A "NO" vote means no board.
3. If the majority of farmers vote "YES", the Governor appoints an independent 5-member milk marketing board of qualified citizens outside the dairy industry: no farmers, no processors, no wholesalers, no distributors, no retailers.
4. The board's independence from the dairy industry will prevent conflict between factions, so milk pricing will be objective and within the rules set by the MN Milk Marketing Board Act.
5. The marketing board will *audit* the previous month's sales of all dairy products within each of the classes to determine the milk's true market value, which will be more accurate than how we're paid now.
6. In our estimation, there's about \$.10 of each dollar/cwt. that we would be paid if milk was priced according to actual market value. For example, if the state's base price is \$15/cwt., \$1.50 would be added per cwt. The board's audit would ensure market value.
7. The marketing board will be advised by a committee of producers elected by you and the other farmers according to districts.
8. Cost of administration will be paid by an assessment similar to the federal marketing order assessment you're paying now. It will be independent of tax dollars.
9. State orders have existed for many years in Montana, California, Pennsylvania, Virginia, and Maine where market share is returned to the farmers.

Ask your State Senator and Representative to vote for the Milk Power Bill (SF 854, HF 1238). Call 888-234-1112 for your Senator's number and 800-657-3550 for your Representative's number.

Even with a state marketing order and board, competition still must return to the market which is controlled by a handful of processors run by MAC which no longer abides to co-op principles. They've become processors more than co-ops and have forsaken cooperative principles for their profit at our expense . Therefore, **the other half of the Milk Power movement** is to make the market more competitive by returning to the original principles of farmer-run co-ops.

Progress has already been started by farmers forming the **Agassiz Valley Dairy Cooperative Association** in Northwestern Minnesota. Now we have a true co-op to build on to restore the original purpose and function of cooperatives. The Board of Directors agreed that a 1% assignment (common stock) is necessary to build working capital to reach our **goal of adding value to our milk** through a diversified product line. This will be accomplished by the following:

- **Building 4 smaller plants** with flexible manufacturing capabilities that are strategically placed in milk production areas to **minimize hauling costs**.
- **Vertically integrating** the plants "**from cows to consumers**" rather than from the producers to the processors.
- Farmers joining this true co-op. Our initial equity assessment (capital stock) is \$4 per cow, and we will trust you on the number of cows.
- Mail your \$4 per cow and assignment sheet to AGASSIZ VALLEY DAIRY CO-OP, AVDCA, C/O Karl L. Hanson, 48896 - 510th St., Perham, MN 56573. (See agreement on page 3.)
- Your individual equity account will be credited with Agassiz Valley Co-op, and your check will be deposited in the Co-op account with United Community Bank of Perham.
- Your assignment will be mailed to where you currently market your milk. Each month your equity account will be credited and an accurate accounting will be conducted.

- You will be mailed Agassiz Valley Co-op news and scheduled co-op meetings.

3.

AGASSIZ VALLEY DAIRY COOPERATIVE ASSOCIATION

~ Membership Agreement ~

Purpose: Owners equity in Cooperative Revolving Fund.

The undersigned does herein order the:

(Milk Plant)

(Address)

to check off and remit to the Agassiz Valley Dairy Cooperative Association at the rate of 1 percent per hundredweight of my monthly milk income for all milk delivered to the above named Milk Plant or picked up by the bulk tank truck at the farm of the undersigned.

Date checkoff is to begin: May 1, 2002

Member Information

Name (Print) _____ Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____ Email _____

Signature _____ Date _____

NOTE: Please make any corrections you may have.

(Return to Karl Hanson, 48896 - 510th St., Perham, MN 56573)

Office Use Only

Assignee:

Agassiz Valley Dairy Cooperative
C/O Karl Hanson, Secretary-Treasurer
48896 - 510th St., Perham, MN 56573
Phone: 218-346-5945

By: _____

Signature: _____

Date: _____

Board Members:

Tony Beck, President, 218-346-2925
Dean Lubitz, Vice President, 218-346-4274
Karl Hanson, Secretary/Treasurer, 218-346-5945

Consultants to the Board:
Chuck Barth, 320 256-4647
Kent Kelly, 320-256-3196

Duane Salmen, Director, 218-538-6639
Arlin Wanderi, Director, 218-346-3670
Dan Felt, Member, 218-334-8565
Kim Steeke, Member, 218-346-3820
Wayne Haverinen, Member, 218-564-4860

Jim Holst, 651-345-3522

4.

MILK POWER

~ Membership Agreement ~

The MILK POWER Movement's issue is **PRICE**. If you agree with Milk Power's continued effort to improve the **PRICE** of raw milk, simply complete the following information on this agreement. Cost of membership is optional. Give whatever you feel is reasonable: \$10, \$25, \$50, or other. For your financial support, Milk Power will continue to work to improve milk **PRICE** which is the single most important factor in sustaining and growing Minnesota's dairy industry.

PRINT FULL
NAME _____

Address _____

City _____ State _____ Zip _____

Phone _____

Fax _____ Email _____

Signature _____

Optional Information: Please check if you are a member of any of the following co-ops or farm organizations:

Minnesota Milk Producers
Minnesota Farm Bureau
Minnesota Farmers Union
NFO
Professional Dairymen
Swiss Valley

AMPI
Bongards
DFA
First District
Land O' Lakes
Other _____

Board of Directors:

Dean Lubitz, 218-346-4274
Jim Holtz, 651-345-3522
Karl Hanson, 218-346-5945
Kim Steeke, 218-346-3820
Kent Kelly, 320-256-3196
Chuck Barth, 320-256-4647