



EDITORIAL COMMENT

HAVE REALISTIC EXPECTATIONS FOR THE CWT PROGRAM

WE FACE more frustration with every milk check just like many of you. It's reasonable for us all to ask, "Is Cooperatives Working Together doing any good?" We're convinced the answer is "yes," but too many people either have unrealistic expectations or have bought into false rumors.

Milk prices in the U.S. always have cycled up and down and always will. No one ever promised that CWT would end low milk prices for good. But, without CWT milk prices, this summer would have been even lower.

Remember that many factors affect milk prices. CWT is just one of them. So far this year, CWT-assisted exports have amounted to about 0.6 percent of milk marketed. The program contributed to a 33 percent boost in U.S. cheese exports during the first five months of this year. That's significant considering the way dairy markets respond to slightly tighter product supplies.

Between last winter's herd retirement and this year's exports, CWT has removed the equivalent of two cows from every herd in the nation. And because of last winter's buyout, there will be roughly 32,000 fewer heifers born this year.

We don't buy into complaints that only the big co-ops are benefitting from the CWT export program. Naturally, the larger co-ops are more likely to own eligible product and have export channels. However, at least 10 different co-ops have

participated. Plus, CWT has helped some smaller co-ops get started in exporting. Finally, don't forget that export deals, like the herd retirements, go only to the low bidders.

- With or without CWT, our industry has been powerless to close import loopholes for a variety of reasons. But, because of CWT, we now are exporting significant amounts of whole milk powder and anhydrous butterfat for the first time.

- Some criticize CWT for taking people out of the business. For decades, we have been losing 5 to 6 percent of our dairy farms every year, most often because of retirement (age or health). One-third of CWT herd retirements have been people over 60 years of age . . . two-thirds over 50.

- There have been only a handful of complaints about buyout infractions. Investigations revealed that all were unfounded with just one exception.

- Contrary to rumors, CWT is not going broke. In fact, even without the larger assessment in effect now, the program would be paying off its line of credit with CoBank by the end of the summer for the first time in its three-year history.

We remain firm in our support of the program. We believe that money we contribute to CWT are dimes well spent. The program is good investment for dairy farm families across the country. It deserves the support of all people shipping milk, not just those in participating co-ops.

WTO'S DOHA ROUND DEADLOCK LEAVES LOOSE ENDS

OUR perspective on liberalization of trade always has been: "Exporting dairy products sounds like a great idea, but at what price?" So, it was with mixed emotions that we viewed the recent failure of WTO's Doha Round. For sure, no deal is better than a bad deal. But we have to acknowledge that our industry's 550 million pounds of milk powder exports last year very likely added to our milk prices, pitiful as they seem right now.

To their credit, Bush Administration negotiators stuck to their guns in the Doha Round. Early in the round, perhaps too early to leave

"Don't expect any substantial action on the 2007 Farm Bill until after the election and the 110th Congress is seated."

negotiating room, the U.S. offered substantial farm subsidy cuts. But the offer wasn't enough for the European Union and other major players. To go any further, U.S. negotiators would have insisted on much greater market access (significantly reduced tariffs) for U.S. farm products around the world. That wasn't going to happen, so it's business as usual on dairy imports and exports for now.

One outcome from the Doha stalemate will be a push to complete more bi-lateral trade agreements. Likely, the renewed interest will come sooner rather than later, since the President's trade promotion authority, which limits Congress to an up or down vote, expires next year.

Most of the bi-lateral and regional trade deals will have more upside than downside for those of us in the U.S. dairy and livestock industries. But there have been exceptions such as the 2004 U.S.-Australia deal where some eleventh-hour hardball reduced the damage that might have been done to the U.S. dairy industry. There are 11 such deals approved or in effect already and seven in negotiation or pending Congressional approval. Our representatives in Washington will need to remain diligent about future free trade deals that might be considered, especially with dairy exporters such as New Zealand.

The breakdown in WTO talks sheds new light on 2007 Farm Bill prospects. Many analysts believe there now will be less pressure to make major changes in U.S. ag policy, especially in this pivotal midterm election year. There still will be calls to slash farm subsidies, both because of future trade negotiations and budget deficit concerns. Ironically, commodity prices, especially for corn, are relatively high now which could result in significantly lower farm program costs.

Don't expect any substantial action on the 2007 Farm Bill until after the election and the 110th Congress is seated. And don't rule out attempts to resuscitate the Doha Round talks. Previous rounds have appeared dead but came back to life.

THE HOARD'S DAIRYMAN FARM IS GROWING WITH OUR READERS

MAY 26 this year was a red-letter day for W. D. Hoard and Sons Company. That day, the Knox family, the company's owners, gave the go-ahead on new facilities for our growing registered Guernsey herd. With that decision, the family recommitted itself to the Hoard's Dairyman Farm and this magazine and demonstrated its faith in the future of the dairy industry.

Our plans are to build a new milking center and free stall facility for 250 head beginning this fall. Later, more housing will be added so we can continue to grow as many of our readers grow. The new facilities will be near the existing ones, and we will fill them with Guernseys. Through internal growth and some select pur-

chases, the herd has expanded to 160 cows on test. So, just like many of you, we have outgrown our old, labor-intensive facilities.

bor to Fort Atkinson and to the community. Finally, we wanted the operation to be large enough that our own dairying experiences relate to the majority of our readers . . . but no larger.

On the 100th anniversary of the farm in 1999, we stated that the farm is as important to this magazine as presses, paper, and ink. Its role remains simply to deepen our understanding of the problems, challenges, and decisions that you, our readers, face.

We are confident that having the farm makes Hoard's Dairyman a better magazine. As the farm grows along with the industry, it will continue to help us keep our feet on the ground.

"The Knox family gave the go-ahead on new facilities for our growing registered Guernsey herd."

Planning for our new facilities started more than a year ago. Our objectives were clear to everyone involved right from the start. We want an attractive, practical, labor-efficient, environmentally friendly operation that provides the best possible animal care and biosecurity. It is very important for us to continue to be a good neigh-



121 years ago . . .

We know of breeders who complain loudly that they cannot get as good prices for their stock as they deserve, and it is all because they are too stingy to keep their cattle in a thrifty, presentable condition. Others fail because they will not keep truly good bulls at the head of their herds.

W. D. Hoard
 Editor