

HJR

5

Alaska State Legislature

Representative Bob Lynn 090610@legis.state.ak.us

Chairman

Military & Veterans' Affairs Committee

Member

Labor and Commerce Committee
State Affairs Committee
Economic Development, Trade & Tourism
Committee
Education Committee
Joint Armed Services Committee

Finance Subcommittees

Labor & Workforce Development
Community & Economic Development
Military & Veterans' Affairs



A Communication From
REPRESENTATIVE BOB LYNN
District 31 Anchorage

Session:

Alaska State Capitol
Juneau, AK 99801-1182

Phone: (907) 465-4931

Fax: (907) 465-4316

Toll Free: (800) 870-4391

Interim:

716 W 4th Ave., #350
Anchorage, AK 99501-2133

Phone: (907) 269-0205

Fax: (907) 269-0207

April 13, 2005

To: Senator Thomas Wagoner, Chair
Resources Committee

Fr: Representative Bob Lynn *BL*

Re: CHJR-5
"Opposing imposition of a milk tax on Alaskans."

Please schedule CHJR-5 to be heard in the Senate Resources Committee at your earliest convenience. Attached is a copy of the Bill and supporting documents. Thank you.

Senate Resources

April 22, 2005

HJR 5 Materials List

- Sponsor Statement: 1 page
- Briefing Paper – Milk Tax: 1-31-05: DNR: 1 page
- The Dairy Coalition – stop the milk tax ...: 2 pages
- Congressional Letter July 22 to USDA: 2 pages
- Congressional Letter July 22 to US Trade Representative: 2 pages
- The White House Letter: April 17 to The Dairy Trade Coalition: 1 page
- CS HJR 5 (RES): 2 pages
- #1 Fiscal Note: 3/29/05: H-RES: 1 page

NOTE: There are 36 additional pages of information on this resolution – consisting of newspaper/periodical articles and support documents. Those documents are available, upon request, through the Senate Resources Committee staff.

Alaska State Legislature

Representative, Bob_Lynn@legis.state.ak.us

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A Communication From

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Sponsor Statement CHJR 5

This resolution makes a statement that the Alaska State Legislature stands firmly behind our Alaska Congressional Delegation, Alaska's Children and citizens in absolute opposition to the imposition of the "Milk Tax".

The "Milk Tax" or **Mandatory Dairy Promotion Assessment** was established more than twenty years ago to help increase the sale of surplus milk in the Lower 48 States through generic mass advertising such as the "Got Milk" campaign.

Alaska was and still is a milk deficit state. Our dairy farmers don't produce enough milk to meet our own demand. As a result, Alaska was wisely exempted along with Hawaii and Puerto Rico from having to pay the Milk Tax when it was created in 1983.

As Rachel Hecker, one of our dairy farmers from Blue Moon Dairy at Point McKenzie was quoted last summer in *The Milkweed* publication, "It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand." Alaska won't benefit from the milk tax and shouldn't be forced to pay for the promotion of milk from the Lower 48 or elsewhere. This tax would be another death nail for an already troubled Alaska milk industry.

As if higher milk prices in Alaska wasn't bad enough, the milk promotion establishment in Washington apparently wants to burden dairymen in the Lower 48 states by promoting foreign dairy imports along with American milk. But before that can happen, they've got to first impose the Milk Tax on Alaska, Hawaii, and Puerto Rico. No wonder outside dairy farmers have gone to court to dump the milk tax.

A milk tax for Alaska is bad policy. Please join me in standing up for Alaska's dairy farmers and Alaska consumers of all ages.



Alaska Department of
**NATURAL
RESOURCES**

Office of the Commissioner
& Division of Agriculture
January 31, 2005

BRIEFING PAPER:
Mandatory Dairy Promotion Assessment
(Milk Tax)

Alaska, as well as Hawaii and Puerto, was exempted from the mandatory dairy promotion assessment (known as a "Milk Tax") contained within the Dairy Stabilization Act of 1983. The exemption was correct in 1983 and remains so today. The rationale for that exemption has not changed.

First, Alaska is a milk deficit state. More milk is consumed in Alaska than is produced in the state. In total, Alaskan farmers supply less than 50% of the fluid milk consumed in Alaska. A national promotional effort to promote milk and dairy product consumption will not help Alaskan farmers since all of the milk they are producing, or will produce in the foreseeable future, will be purchased regardless of any national promotion.

Second, a "Milk Tax" will only raise costs and not lead to increased sales. Alaskan dairy farmers are producing on a very small margin, and any increase in costs is dangerous to their ability to continue production.

Third, a "Milk Tax" has the potential to lead to an increased milk price for consumers of Alaskan milk if the cost of the assessment can be passed on to consumers.

Fourth, the small amount of money that would be collected from Alaskan farmers would be relatively minor when compared with money from other states. The national promotional efforts are not impacted to any real degree as a consequence of two states and one territory being exempted from the "Milk Tax."

Lastly, Similar acts are under constitutional challenge. For instances, the Beef Act is currently before the U.S. Supreme Court on the issue of whether the mandatory assessment to support advertising campaigns violates free speech. Similar to "Beef - it's what's for dinner", the "got milk" campaign might not survive constitutional muster. Given the uncertain status of these types of programs, it may be prudent to wait and see what the outcome of the Beef Act case is.



THE ALASKA DAIRY COALITION

Rachel Hecker, Director

c/o Blue Moon Dairy
P.O. Box 870349 • Wasilla, Alaska 99687
Tel: 907-357-9003 • Fax: 907-357-9004
E-mail: blumoo_99yahoo.com

Members

Blue Moon Dairy
Tracks of Alaska
Gingerbread House Day Care
Carousel Day Care

STOP THE MILK TAX ON ALASKA'S DAIRY CONSUMERS!!

The Issue

Alaska's consumers face an unfair new "tax" on milk, cheese, yogurt and other dairy products under legislation moving forward in Congress. The new tax is part of a bigger bill that expands the lower 48 states' milk promotion program to dairy farmers in Alaska to make the promotion fee compatible with global trade laws. This unfair new tax would drive up the already high cost of milk and dairy products for Alaska's consumers. It would reduce the consumption of nutritious dairy products, threatening the health of Alaskans of all ages. This new tax will become law unless concerned Alaskans of all ages and walks of life stand up together and **SAY NO TO THE MILK TAX!**

The milk tax is part of proposed changes to the dairy import assessment provisions included in the 2002 Farm Bill. In order for the milk promotion program to comply with the World Trade Organization (WTO) rules, the proponents seek to extend the assessment to Alaskan dairy farmers, who have always been exempted because Alaska is a milk-deficit state. As a result, Alaska's dairy producers would be taxed 15 cents per hundredweight to promote surplus milk produced in the lower 48 states. This milk tax would be passed on to Alaska's consumers, including the elderly, school children, native populations, and low-income families.

The Impact on Alaskans

- **Already high milk prices would rise.**
 - Although 15 cents appears to be a small amount, greedy milk processors and other middlemen would use any excuse to increase their profit margins at the expense of hard working Alaskans.
 - Owners of businesses (e.g., bakeries, food stores, ice cream shops, restaurants, etc.) would likely have to pass this increase in price along to the consumers.
 - Alaskan consumers would be forced to pay higher costs for milk, cheese, butter, and all other dairy products, and baked goods and other foods containing dairy ingredients. In Alaska, milk is already more expensive to buy than unhealthy options, such as soda¹. This could force parents to choose unhealthier options over milk.

¹"Cost of Food at Home for a Week in Alaska, March 2000." University of Alaska, Fairbanks.

- **High milk prices could reduce dairy consumption and threaten the health of all Alaskans.**
 - Milk has the highest concentration per serving of highly absorbable calcium, necessary for proper growth and to prevent loss of bone mass, which leads to osteoporosis^b.
 - Milk is the primary source of vitamin-D. Skin also produces this vitamin when it is exposed to summer sunlight. However, above 40 degrees latitude (north of San Francisco), the winter sunlight is not strong enough to promote vitamin D formation^c. Milk is essential for Alaskans of all ages and occupations
 - Calcium in milk prevents bone loss and osteoporosis. Native populations are also susceptible to this risk. It is estimated that among Native American women aged 50 and older, 58.9% have low bone densities and 9.5% suffer from osteoporosis^d.
 - Studies indicate that a diet rich in low fat dairy foods is effective in reducing blood pressure, which can lead to serious health risks, including kidney failure^e. Alaska natives are more likely than whites to suffer from high blood pressure and to develop kidney problems, even if their blood pressure is only slightly elevated^f.
 - The intake of calcium, as well as potassium and magnesium (present in milk) reduces the risk of stroke^g. Cardiovascular disease, including heart disease and stroke, is the leading cause of death for Alaska Natives^h.

Action Required

The following action at the federal level by Alaska's Congressional delegation is required to prevent the implementation of this milk tax on Alaska's dairy farmers.

- Language (copy attached) could be included in upcoming appropriations Bills in Congress.
- A modified version of this language could be made part of the enabling language of the US-Australia Free Trade Agreement. This would permanently block any further attempts to extend the assessment to Alaska.

Alaskans Who Oppose the Milk Tax

- Blue Moon Dairy (Wasilla)
- Tracks of Alaska (Anchorage)
- Gingerbread House Day Care (Anchorage)
- Carousel Day Care (Anchorage)
- Mt. Sanford Tribal Consortium (Gakona)
- Council Annette Islands Reserve, Metlakatla Indian Community

^a "Calcium and Milk." Nutrition Source. Harvard School of Public Health.

^b "Calcium and Milk." Nutrition Source. Harvard School of Public Health.

^d "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives. National Dairy Council.

^e Ibid.

^f "High Blood Pressure and Kidney Disease." National Kidney and Urologic Diseases Information Clearinghouse (NKUDIC), a service of the National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK), NIH.

^g "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives. National Dairy Council.

^h "Health Problems in American Indian/Alaska Native Women." The National Women's Health Information Center, a project of the US Department of Health and Human Services, Office on Women's Health.

Congress of the United States

Washington, DC 20510

July 22, 2004

The Honorable Ann M. Veneman
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Veneman:

It is our understanding that a segment of the dairy industry may urge you to extend the mandatory 15-cent per hundred weight domestic dairy promotion assessment or "milk tax" to Alaska, Hawaii, and Puerto Rico, as a prerequisite for implementing the assessment on dairy products imported into the United States as authorized by the Farm Security and Rural Investment Act of 2002. We are writing to oppose the possible extension of this assessment.

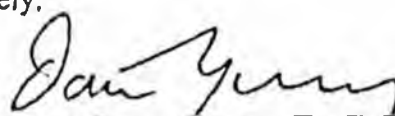
Alaska, Hawaii, and Puerto Rico were exempted from the domestic dairy promotion assessment created by the Dairy Production and Stabilization Act of 1983 due to our milk deficits, which continue to this day. This exemption was maintained in the Farm Security and Rural Investment Act of 2002. As many of our constituents have informed us, the milk tax would harm many Alaskan, Hawaiian, and Puerto Rican dairy producers and consumers of milk products including children, low income families, Alaska Natives, bakeries, and other small businesses. It could also potentially end dairy production in Alaska, Hawaii, and Puerto Rico.

For the aforementioned reasons, we will strongly oppose any plan or scenario -- irrespective of its construction -- that would lead to the implementation of the milk tax. Thank you for your consideration of our views.

Sincerely,



Senator Lisa Murkowski



Don Young, Member of Congress



Senator Ted Stevens



Neil Abercrombie, Member of Congress

The Honorable Ann Veneman
July 22, 2004

Page 2



Senator Daniel K. Inouye



Ed Case, Member of Congress



Senator Daniel K. Akaka



Anibal Acevedo-Vila, Member of Congress

- cc: The Honorable Thad Cochran, Chairman, Senate Agriculture Committee
- The Honorable Tom Harkin, Ranking Minority Member, Senate Agriculture Committee
- The Honorable Robert Goodlatte, Chairman, House Agriculture Committee
- The Honorable Charles W. Stenholm, Ranking Minority Member, House Agriculture Committee
- The Honorable Bill Hawks, Under Secretary of Agriculture for Marketing and Regulatory Programs
- The Honorable A.J. Yates, Administrator, Agricultural Marketing Service
- Mr. Barry Jackson, Deputy Assistant to the President and Deputy to the Senior Advisor to the President
- Mr. Charles F. Conner, Special Assistant to the President for Agricultural Trade & Food Assistance
- Mr. Daniel Heath, Associate Director, National Economic Council

Congress of the United States
Washington, DC 20510

July 22, 2004

The Honorable Robert B. Zoellick
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Zoellick:

It is our understanding that a segment of the dairy industry may urge you to extend the mandatory 15-cent per hundred weight domestic dairy promotion assessment or "milk tax" to Alaska, Hawaii, and Puerto Rico, as a prerequisite for implementing the assessment on dairy products imported into the United States as authorized by the Farm Security and Rural Investment Act of 2002. We are writing to oppose the possible extension of this assessment.

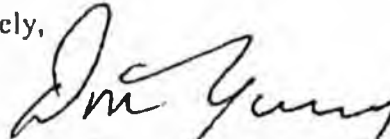
Alaska, Hawaii, and Puerto Rico were exempted from the domestic dairy promotion assessment created by the Dairy Production and Stabilization Act of 1983 due to our milk deficits, which continue to this day. This exemption was maintained in the Farm Security and Rural Investment Act of 2002. As many of our constituents have informed us, the milk tax would harm many Alaskan, Hawaiian, and Puerto Rican dairy producers and consumers of milk products including children, low income families, Alaska Natives, bakeries, and other small businesses. It could also potentially end dairy production in Alaska, Hawaii, and Puerto Rico.

For the aforementioned reasons, we will strongly oppose any plan or scenario – irrespective of its construction – that would lead to the implementation of the milk tax. Thank you for your consideration of our views.

Sincerely,



Senator Lisa Murkowski



Don Young, Member of Congress



Senator Ted Stevens



Neil Abercrombie, Member of Congress

The Honorable Robert B. Zoellick
July 22, 2004

Page 2



Senator Daniel K. Akaka



Ed Case, Member of Congress



Senator Daniel K. Akaka



Anibal Acevedo-Vilá, Member of Congress

- cc: The Honorable Charles Grassley, Chairman, Senate Finance Committee
- The Honorable Max Baucus, Ranking Minority Member, Senate Finance Committee
- The Honorable William M. Thomas, Chairman, House Ways & Means Committee
- The Honorable Charles B. Rangel, Ranking Minority Member, House Ways & Means Committee
- Mr. Jim Murphy, Assistant U.S. Trade Representative for Agricultural Affairs
- Mr. Barry Jackson, Deputy Assistant to the President and Deputy to the Senior Advisor to the President
- Mr. Charles F. Conner, Special Assistant to the President for Agricultural Trade & Food Assistance
- Mr. Daniel Heath, Associate Director, National Economic Council

THE WHITE HOUSE

WASHINGTON

April 17, 2002

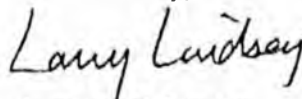
Dear Mr. Castillo:

Thank you for your letter to the President urging him to oppose the dairy import assessment in the farm bill.

One of the top priorities for the Administration in agriculture policy is the expansion of international trade, and its vital component, the honoring of the United States' trade commitments. The Administration opposes an assessment on imports that would provoke serious legal challenge by our trade partners. We will work with the Congress in the farm bill conference to ensure that the final provision upholds the long-term interests of traders and dairy producers through American leadership in trade liberalization.

I appreciate your informative letter and your support for our efforts to expand market opportunities for agriculture.

Sincerely,



Lawrence B. Lindsey

Assistant to the President for Economic Policy

Mr. A. Mario Castillo
Executive Director
The Dairy Trade Coalition
2472 Belmont Road, NW
Washington, D.C. 20008

Mario Castillo

From: "Butzlaff, Nathan (Murkowski)" <Nathan_Butzlaff@murkowski.senate.gov>
To: "Mario Castillo" <marlocas@aegiservices.com>; "Tracks of Alaska" <traxak@alaska.com>; "Rachel Hecker" <blumoo_99@yahoo.com>
Cc: "Heller, Pat (Murkowski)" <Pat_Heller@murkowski.senate.gov>
Sent: Wednesday, July 28, 2004 1:04 PM
Subject: Milk Tax Article in the Fairbanks Daily News-Miner

Milk Tax could Squeeze Alaska Producers

Fairbanks Daily News-Miner 7-27-04

Sam Bishop

Sen. Lisa Murkowski wants Alaska, Hawaii and Puerto Rico milk producers to keep their exemption from a federal tax that pays for promotions such as the "Got Milk?" campaign. Murkowski said she is worried that the two states and territory soon may be forced to start paying the tax, which is currently 15 cents on every 100 pounds of milk.

She said some interests want Alaska and the other regions to be taxed so the U.S. Department of Agriculture can also start taxing foreign milk importers. Under World Trade Organization rules, the foreign imports can't be taxed unless all domestic sources are treated the same, according to the argument.

Murkowski said she and members of Congress from Hawaii and Puerto Rico will try to block the tax. Milk is already expensive in the state, she said, and it's not even available regularly in some remote communities.

"An assessment like this just hurts us even more," she said.

Only a fraction of Alaska's milk is produced in state. Most is imported from the Lower 48 and repackaged as an Alaska brand. The Lower 48 milk is already taxed. It would seem then Alaska consumers might not notice the tax much, but Murkowski spokesman Chuck Kleeschulte said the competitive pressure that Alaska producers exert against outside producers actually helps keep milk prices from rising higher in the state.

Also adding the 15-cent tax to Alaska milk would be devastating for Alaska's dairy farmers, who number less than 10 Murkowski said.

"I think their margins are so thin now that they are panicked at anything that would increase their costs," Murkowski said.

Alaska, Hawaii and Puerto Rico were exempted from the promotion tax in 1983 because their farms produced such a small fraction of local demand, Murkowski noted. That's still the case, she said, so exempting them from the promotional tax shouldn't pose any serious competition to foreign importers who want to enter the Lower 48 market.

Also those importers aren't likely to move milk to the remote states and territories because of shipping costs, she noted. Murkowski outlined the arguments in a letter to U.S. Trade Representative Robert Zoelick and Secretary of Agriculture Ann Veneman.

7/28/2004

Jan 19 05 02:07P

COUNCIL ANNETTE ISLANDS RESERVE

METLAKATLA INDIAN COMMUNITY

VICTOR C. WELLINGTON, SR., MAYOR
JUDITH A. LAUTH, SECRETARY
OPAL J. HOBSON, TREASURER

ESTABLISHED 1987

POST OFFICE BOX 4
METLAKATLA, ALASKA 99926
PHONE (907) 886-4441
FAX (907) 886-7997

May 7, 2004

The Honorable Ted Stevens
Attn: Ms. Karina Waller, Leg. Assistant
United States Senate
SH-522 Hart Senate Office Building
Washington, DC 20510-0201
Fax: (202)224-2354

Dear Senator Stevens:

The Metlakatla Indian Community wishes to voice its opposition to the implementation of the dairy import assessment.

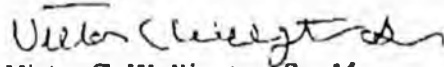
We believe that the assessment is an onerous 'milk tax' passed as part of the *Farm Security and Rural Investment Act of 2002* ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the lower 48 states.

If implemented, the assessment/milk tax would require Alaskan dairy farmers to pay into the national dairy promotion program that presently benefits the lower 48 states but does nothing to help Alaska's dairy farmers or consumers. Alaskan dairy farmers would be forced to pay a milk tax of 15 cents per hundredweight, a cost that would likely be passed on to Alaska's consumers (the elderly, school children, low income families, etc.) - by greedy milk processors and other middlemen- for in excess of the 15 cents milk tax to be forced upon Alaska's dairy farmers. The price on all dairy products, including the cheese and butter, would rise as well.

The Metlakatla Indian Community is concerned that a rise in the cost of milk and dairy products, which are already extremely high in our state, would adversely affect efforts to improve the nutritional and general health of Alaskans, especially those citizens living in remote areas of our state.

I therefore urge you to keep the milk tax from becoming law once and for all. Thank you for your attention in this matter.

Sincerely,
Metlakatla Indian Community


Victor C. Wellington, Sr., Mayor



PO Box 357 • Gakona Alaska 99586 • (907) 822-5399 • Fax (907) 822-5810

AD 04-696

May 18, 2004

The Honorable Ted Stevens
Attn: Ms. Karina Waller, Leg. Assistant
United States Senate
SH-522 Hart Senate Office Building
Washington, DC 20510-0201

Dear Senator Stevens,

The Mt. Sanford Tribal Consortium wishes to voice its opposition to the implementation of the dairy import assessment (assessment).

We believe that the assessment is an onerous "milk tax" passed as part of the Farm Security and Rural Investment Act of 2002 ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the lower 48 states.

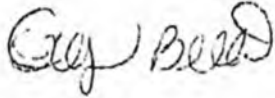
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Mt. Sanford Tribal Consortium is concerned that a rise in the cost of milk and dairy products, which are already extremely high in our state, would adversely affect efforts to improve the nutritional and general health of Alaskans, especially those citizens living in remote areas of our state.

Mt. Sanford Tribal Consortium shall provide quality health care services and leadership with honor, dignity, and respect; empowering our people by enhancing our traditional values to ensure a healthier and more positive future for our children.

I therefore urge you to keep the milk tax from becoming law one and for all. Thank you for your attention in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Evelyn Beeter".

Evelyn Beeter
President

ALASKA STATE LEGISLATURE

Chair:
House Finance Subcommittees for;
Department of Public Safety
Department of Law

Member:
House Finance Committee
Legislative Council



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-4958
Fax: (907) 465-4928

District:
600 E. Railroad Ave.
Wasilla, AK 99654

REPRESENTATIVE BILL STOLTZE

Representative_Bill_Stoltze@legis.state.ak.us

July 2, 2004

Senator Ted Stevens
522 Hart Senate Office Building
Washington, D.C. 20515-0201

Dear Senator Stevens;

I am writing to express my support of the Alaska Dairy Coalition's opposition to including Alaska in the milk tax.

This change is occurring in order to make the milk tax compatible with global trade laws, which all states will have to pay to comply. However, the passing of this legislation will not benefit Alaska or its dairy industry. We are a "milk deficit" state and would receive none of the benefits associated with this tax. This was recognized in the original legislation passed in 1983 and we were originally exempted from this tax along with Hawaii and Puerto Rico.

By including Alaska in this tax, it would increase the cost to local dairy producers, and raise the already high prices of milk and other dairy products. To protect our local dairy producers and keep the price of dairy products reasonable for all Alaskans I am opposing Alaska being included in the milk tax and would ask your support in opposing it as it comes before you in the Senate.

Sincerely,

A handwritten signature in cursive script that reads "Bill Stoltze".

Bill Stoltze
Alaska State Representative
House District 16

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

Tracks of Alaska
Natural Images of the Great Land
Phillip and Jiona Richey
7700 Chaimi Loop
Anchorage, Alaska 99504

(907) 333-8138 e-Mail: traxak@alaska.com
Website: <http://www.tracksofalaska.com>

Anchorage, May 14, 2004

The Honorable
Frank H. Murkowski
Attn: Linda Parry-Shafer, Director
Anchorage Office of the Governor,
.550 W. 7th Ave, Suite 1700
Anchorage, AK 99501

Dear Mr. Governor Murkowski

We at Tracks of Alaska, Gingerbread House Day Care and Carousel Day Care in Anchorage want to object to the implementation of the dairy import assessment.

We believe this assement to be an onerous MILK TAX passed as part of the Farm Security and Rural Investment Act of 2002 (farm bill). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the Lower 48 states. Implementation of this tax would require Alaska's Dairy Farmers to pay into a national dairy promotion program that presently benefits the lower 48 states, but does absolutely nothing to help Alask 's dairy producers and consumers. Alaskan dairy farmers would have to pay a milk tax of fifteen cents per hundred weight and that cost would be passed on to Alaska's consumers, (and directly hurt the elderly and people on fixed incomes, school children, low income families, etc.) by greedy milk processors and other middlemen, far in excess of the 15 cents milk tax assessed on our Alaskan dairy producers. Prices of dairy products across the board, milk, butter, cheese, etc. would rise as well.

Tracks of Alaska is concerned that a rise in the cost of milk and dairy products, which are already very high in our state, would have a negative impact on the efforts to improve nutritional and general health of Alaskans and especially those of our citizens living in remote areas off the road system in our state.

I therefore urge you to keep the milk tax from becoming law once and for all
Thank you for listening!

Sincerely

Jiona M. Richey

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

- 400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 485-2400
FAX: (907) 485-3886
- 550 WEST 7TH AVENUE, SUITE 14
ANCHORAGE, ALASKA 99501-3652
PHONE: (907) 269-8431
FAX: (907) 269-8918

June 18, 2004

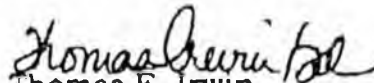
Jlona Richey
Tracks of Alaska
7700 Chaimi Loop
Anchorage, AK 99504

Dear Ms. Richey:

The Governor has asked that I respond to your letter dated May 14, 2004. Currently, Alaska and Hawaii are exempt from the \$.15 cents milk tax. As you are aware, there is an effort to reverse the exemption. Our Congressional Delegation in Washington D.C. is opposed to the tax and is monitoring this issue very closely.

The Department of Natural Resources, Division of Agriculture is on record opposing this tax. Thank you for your concern and support.

Sincerely,


Thomas E. Irwin
Commissioner

cc: Governor Frank H. Murkowski
John Torgerson, Acting Director, Division of Agriculture, DNR

Track # 04.1083

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

6-14-04 3:10PM:KANA

1007 486000

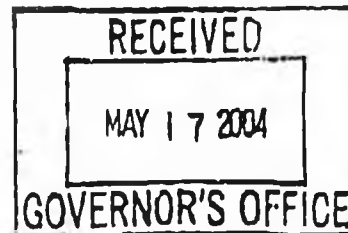
Kodiak Area Native Association



8303
MM

3449 Reznof Dr. East
Kodiak, Alaska 99615
Phone (907) 486-9800

May 14, 2004



The Honorable Frank Murkowski
Attn.: Linda Perry-Shafer, Director,
Anchorage Office of the Governor
550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501

via mail and fax: 907-269-7461

Dear Governor Murkowski:

The Kodiak Area Native Association wishes to voice its opposition to the implementation of the dairy import assessment. We believe the assessment is an onerous "milk tax" passed as part of the *Farm Security and Rural Investment Act of 2002* ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the lower 48 states.

If implemented, the milk tax would require Alaskan dairy farmers to pay into the national dairy promotion program that presently benefits the lower 48 states, but does nothing to help Alaska's dairy farmers or consumers. Alaska dairy farmers would be forced to pay a milk tax of \$.15 per hundredweight, a cost that would likely be passed onto Alaska consumers (the elderly, school children, low income families, etc.), by greedy milk processors and other middlemen — far in excess of the \$.15 milk tax to be forced upon Alaska's dairy farmers. The price on all dairy products, including cheese and butter, would rise as well.

KANA is concerned that a rise in the cost of milk and dairy products (which are already extremely high in our state), would adversely affect efforts to improve the nutritional and general health of Alaskans — especially those citizens living in remote areas of our state, such as Kodiak and even more so, the out-lying Kodiak villages.

I therefore urge you to keep the milk tax from becoming law once and for all. Thank you for your attention to this matter.

Sincerely,

Rita L. Stevens, President / CEO
Kodiak Area Native Association

cc: Dairy Trade Coalition, via fax: 202-518-9592

RECEIVED

MAY 19 2004

GOVERNOR'S OFFICE

Serving the communities of: Akhiok • Karluk • Kodiak • Larsen Bay • Old Harbor • Ouzinkie • Port Lions

The Alaska Milk Coalition

7700 Chaimi Loop
Anchorage, Alaska 99504

Telephone: 907-332-5709

E-mail: Traxak@alaska.com

Jona Richey, Co-Chair

- • President, Tracks of Alaska

Rachel Hecker, Co-Chair

- • Owner, Blue Moon Dairy

March 1, 2005

The Hon. Bob Lynn
State Representative
District 31 - Anchorage
State Capitol - Room 415
Juneau, AK 99801-1182

Re: Support of House Joint Resolution #5

Dear Representative Lynn,

We are writing to urge the swift passage of House Joint Resolution #5. This bipartisan resolution expresses the Legislature's opposition to the onerous "milk tax" that greedy Outside dairy interests in Washington seek to impose on Alaska's dairy farmers and consumers. The milk tax would be imposed by extending the mandatory federal dairy promotion assessment to Alaska, Hawaii and Puerto Rico.

The milk tax is simply absurd and wrong for Alaska. When Congress authorized the mandatory dairy promotion fee in 1983 to address the problem of surplus milk production in the Lower 48 States, it wisely exempted Alaska and Hawaii because we were - and remain - a milk deficit state. Alaska consumers drink more milk than our farmers can produce. Forcing Alaska dairy producers to pay the mandatory promotion assessment will not reduce our milk deficit. It will only make the milk deficit worse by forcing more Alaska dairy farmers out of business.

Alaska's milk prices are among the very highest in the nation, particularly in the Bush. The milk tax will harm school children, senior citizens, Native populations and all other consumers who need milk for good health. Higher milk prices will lead growing children to substitute soda pop for milk in their diets, stunting their growth and further increasing the already high rate of dental cavities. Restaurants, day care centers, bakeries and other small businesses that regularly use milk and dairy products will see higher costs that will ripple throughout our economy if the milk tax is imposed on Alaska. These businesses either have to absorb the cost of the milk tax or pass them on to consumers in the form of higher prices.

Dairy farmers in the Lower 48 have been fighting to escape the milk tax for many years. We understand that the Federal courts have consistently ruled that the dairy promotion assessment is unconstitutional. It violates the First Amendment rights of dairy farmers who disagree with the

messages they are forced to fund with the tax on the milk they produce. This matter is now under further appeal and may ultimately be settled by the U.S. Supreme Court, which is now considering a similar mandatory promotion tax on beef cattle producers.

The main proponents of the milk tax are greedy dairy interests in Washington such as National Milk Producers Federation and big dairy processor co-ops such as Land O Lakes who want more money to subsidize their lavish lifestyles at our expense. For example, we understand that milk tax dollars are a major source of funding for the U.S. Dairy Export Council, a group of big Outside dairy processors who waste farmers' money on limousines, fancy meetings in exotic vacation resorts and other extravagances. Dairy farmers, meanwhile, are forced to go without health insurance and other basic necessities so dairy promotion "fat cats" can have their fun.


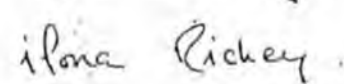
The Alaska Milk Coalition is working with U.S. Senators Lisa Murkowski and Ted Stevens, and Congressman Don Young, who in a July 22, 2004 letter told Secretary of Agriculture Ann Veneman that "we will strongly oppose any plan or scenario - irrespective of its construction - that would lead to the implementation of the milk tax on Alaska ..." USDA has oversight responsibility for the milk tax.

Bob, we appreciate your early leadership role on this issue, including the time last summer when you and Assembly Minority Leader Ethan Berkowitz stood with us at the milk and cookies protest against the milk tax at the Carousel Dairy Care Center in Anchorage. Since then, your efforts have been joined by Reps. Carl Gatto, Bill Stoltze and Vic Kobering, and Senators Lyda Green and Scott Ogan.

We applaud our Congressional delegation's efforts to prevent the milk tax from seeing the light of day in Alaska and ask that you do the same without delay.

Sincerely,

Jlona Richey and Rachel Hecker

Dr. D.J. Kosterman, O.D.

5800 Westover Avenue
Elmendorf AFB, AK 99506
Phone: (907) 753-7515
Fax: (907) 753-7585

February 7, 2005

Alaska House Representative Bob Lynn
State Capitol - Room 415
Juneau, AK 99801-1182

Via Fax

Dear Representative Lynn:

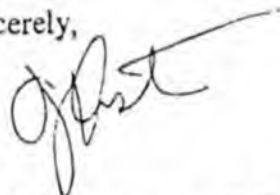
I am writing to thank you and Representatives Carl Gatto and Ethan Berkowitz for introducing bipartisan House Joint Resolution #5 that opposes imposing a milk tax on Alaskans.

I understand that greedy Outside milk processors, promoters and other middlemen want to force Alaska dairy farmers to pay a milk tax of 15 cents per hundredweight on their dairy production. This tax would likely be passed on to all of Alaska's consumers: the elderly, school children, bakeries, ice cream shops, low income families, and those living in remote areas.

The milk currently does not apply to Alaskans because we do not produce enough milk to meet our in-state demands. If this terrible tax is implemented by Lower 48 Congressmen and Senators it will tax Alaskans' milk for the first time in our state's history.

I urge you to pass House Joint Resolution #5 without delay. No Outside milk taxes for Alaskans!

Sincerely,



Dr. D.J. Kosterman, O.D.

The Homemakers Club

Ellie Hennig, President
Tel (907) 333-4438

3804 Wesleyan Drive
Anchorage, AK 99504

February 7, 2005

Alaska House Representative Bob Lynn
State Capitol - Room 415
Juneau, AK 99801-1182

Via Fax

Dear Representative Lynn:

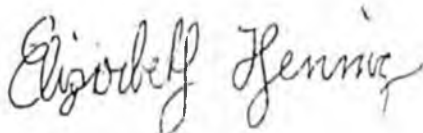
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Sincerely,



Ellie Hennig
President

A Petition To Protect Alaska's Consumers, Children, Elderly and Dairy Farmers

January/February, 2005

"Don't Let Outside Groups Tax Our Milk Money!"

We, the undersigned citizens of Alaska on behalf of Alaska's school children, consumers and its dairy farmers, hereby express our support for bipartisan House Joint Resolution #5 sponsored by Alaska State Representatives Bob Lynn and Carl Gatto (R) and Ethan Berkowitz (D) to oppose the imposition of a milk tax on Alaskans.

U.S. Senator Ted Stevens, U.S. Senator Lisa Murkowski, Congressman Don Young, and Governor Murkowski have valiantly fought to prevent the implementation of the "dairy import assessment" (assessment) in Washington. We appreciate their efforts and encourage their continued leadership on this issue.

The assessment is an onerous "milk tax" passed as part of the *Farm Security and Rural Investment Act of 2002* ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize the dairy promotion establishment in the lower 48 states. If implemented, the assessment/milk tax would require Alaska dairy farmers to pay into the national dairy promotion program that presently benefits the lower 48 states and does nothing to help Alaska's dairy farmers or consumers of all ages.

Alaska dairy farmers would be forced to pay a milk tax of 15 cents per hundredweight, a cost that would likely be passed on to all of Alaska's consumers (the elderly, school children, low income families, etc.) – by greedy milk processors, promoters and other middlemen – far in excess of the 15 cents milk tax to be forced on Alaska's dairy farmers. The price on all dairy products, including cheese, butter and milk powder, would rise as well. Therefore, we urge The State Legislature of Alaska to approve House Joint Resolution #5 without delay. No Outside taxes for Alaskans!

Please Print Your Name, Address, etc.

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Rebbie Zeketa	461 Scorpio Cir. Anchorage AK 99508	907-7531344
DONALD Ramsey	7612-DOVER HVE ANCHORAGE AK 99504	907-7373151
Stan Karella	101 Showers Ave Anchorage AK, 99515	(907) 952-7420
Linda Layton	368 Oak St Anch. AK 99504	333-0400
Mary F Layton	7200 E 4th	333 6952

Fight the milk tax...support HJR5!!

Name Address Phone e-Mail

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John W. Kelly 8707 E. 20th Ave # 8 776-6697
Michelle Kelly 3908B Grace Ln Apt.
Dana Jones 5215 Lett B 333-3366
Alan Kuntler EFB Exchange 5800 Westover Ave, Orlando AFB, AK 9800
WILLIAM Scheid 8380 Pioneer DR ANCH, AK 99504

Fight the milk tax...support HJR5!!

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Shammy	Admiral Suites	706-563 4550	
Margaret Melon		1-907-745-6445	
Kellie Howell	3307 Boniface PRKWAY	907 333-4370	
Melanie Patte	7630 Maryland Ave 99504	907 337-6208	
Nicola Matthews	329 Krane Dr AK AK 99504	743-8881	
Stephen V. Matthews	329 Krane Dr. Anchorage AK 99504	(907) 745-8	
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Audrea Ingram	6109 Debarr Rd Apt #309, AK 99504	907 952-0570	
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Kim RAVIS	PO Box 10207 ANCH, AK 99510	2097 (907) 522-8	
Chantasha Kariou	3196 B Fanchin Dr. EAFB, AK.	929-4635	
Wendy Nolan	P.O. Box 879536, Wasilla, AK 99687	357-4837	
Valerie Greynolds	3044 Andrews Ave Unit F EAFB AK 99506	644-049	
Kevin Greynolds	3044 Andrews Ave Unit F EAFB AK 99506	644-0493	
Tia Davidson	3042 Andrews Ave Unit D EAFB AK 99506	428-0068	
Corey Davidson	3042 Andrews Ave Unit D EAFB AK 99506	428-0068	
LORAYNE E. Thompson	10135 Raven Crest Circle E.R. 99577	696-1	
Angela Kravonets	PO Box 211374, Anch, AK 99521	153-12	

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Please Print Your Name, Address, etc.

Name	Home Address or Email Address	Telephone Number
NELLIE BUTLER	17327 MEADOW @ EAGLE RIVER AK. 99577	694-4558
Christine Hull	3520 Balchen #A Anch 99507	677-7008
WILLIAM C LAUDER	6764 LUNAR DR ANCH., 99504	338-1338
Gary Howard	10249 Chain of Rock Eagle River AK 99577	622-2722
CLIFF COLLEY	960 NORMAN ST Anch AK 99554	337-4546
SCOTT MADWIN	3438 COPC- Anch AK 99506	224-8562

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Please Print Your Name, Address, etc.

Name	Home Address or Email Address	Telephone Number
Wanda Richardson	8501 B Creekside Street Anchorage, AK 99504	907-332-2307
Carlos M. DaSilva	503 A Richardson Dr. Fort Richardson, AK 99505	907-428-0151
Ema L. DaSilva	503 A Richardson Dr. Fort Richardson, AK 99505	907-428-0151.

Fight the milk tax...support HJR5!!

Name	Address	Phone	e-Mail
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Andrey Roberts	1200 Dimond	336-0280	
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Julie Galindo	1001 Bonifale 2-0	258-2290	
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Dawn Hester	1121 Friendly	333-6167	
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Paula Swartz	903 W. 40th	727-6664	
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Victoria Brown	380 Parsons	279-2521	
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Wendy Hassen	311 McCarrey St	830-8143	
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Paula Swartz			
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Beatrice Patrick	6412 E 10th Ave ⁹⁹⁵⁰⁹	339-7287	
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Theresa Bashans	801 Airport Heights	884-0851	
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Ann Duer	Box 69 Talkeetna	430-0620	
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Ann Duer	Box 74 Talkeetna	430-0620	
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Lydie Rommen	7801 Chain Loop	337-0923	
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Jeffrey N. Rommen	7801 Chain Loop	337-0923	
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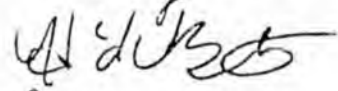
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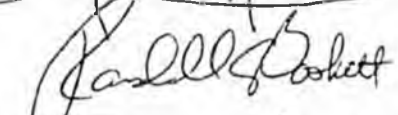
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Sincerely,

Mary Q. Davis 337-8366 arndavis45@hotmail.com

 677-8173 nlbennetts@hotmail.com

 688-2641 cokedrinkin chick@hotmail.com

 746-6900 PALMER, AK

Wacey M. Bennett 746-6900 Palmer, AK

Mary Dillingham 357-4524 Palmer, AK

JAMES W. SAMSON 337-2979 Anchorage, AK

Frontiersman

Monday, August 02, 2004

The online edition of the Frontiersman does not contain the entire content of our print version.

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Milk debate a hot issue

By DANIEL SPOTH/Frontiersman reporter

MAT-SU -- Local dairy producers and activists continue to battle against a potential increase in the cost of milk production, while others insist there's no cause for such concern.

The fee, which amounts to 15 cents per hundredweight -- a unit of measurement equal to a hundred pounds -- of produced milk, has been in place in the lower 48 states since 1983, when the Dairy and Tobacco Adjustment Act instituted a national advertising and promotional campaign using funds garnered from its collection.

Alaska, Hawaii and Puerto Rico were originally exempted from the fee due to the fact that they don't have a surplus of milk, but the possibility of extending the increase to these three areas in the near future has raised a considerable amount of ire. The new fees would charge Alaskan dairy farmers the extra 15 cents per hundredweight, which would then go to fund Alaskan dairy advertising and promotional programs.

Christopher Galen, vice-president of communications for the National Milk Producers Federation, said the price hike wasn't as onerous as many make it out to be.

"The assessment amounts to about a penny a gallon," he said. "The amount of money we're talking about, proportionally, is very small."

The milk tax, as it's commonly called, might more properly be called a milk assessment, Galen said, since its collection isn't administered by the Internal Revenue Service and doesn't follow any of the typical routes taken by conventional tax dollars. The U.S. Department of Agriculture handles the collection of the funds.

Cash from the assessment goes to help fund Dairy Management Inc., a group that administers both local dairy-related events and promotions around the nation. David Pelzer, vice-president of industry relations for DMI, said the corporation runs a variety of programs, but they're all centered around increasing demand for dairy products.

"We think it's a very good thing for dairy producers," Pelzer said of the nationwide campaign funded by the 15-



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cent assessment.

DMI's programs include, among other things, a campaign to put milk on the menu at fast-food restaurants, an initiative to get schoolchildren to drink more milk, and the 3-a-Day-of-Dairy advertising campaign.

Galen said the increased price would be handled by the farmers who produce the milk, not the consumers who buy it, and that he therefore didn't anticipate any appreciable increase in milk prices.

"It's not a price that the farmer can pass along," he said. "Even if it were, this rhetoric about a 20- or 30-cents-per-gallon increase is just poppycock."

Pelzer agreed with this sentiment.

"I don't see any evidence of [the assessment] driving up milk prices. It's a wise investment for dairy farmers who really need to grow their markets," he said.

However, not all Alaskan dairy farmers are sold on the idea. Rachel Hecker, a Point MacKenzie dairy farmer and director of the Alaska Dairy Coalition, adamantly opposes the increase.

"I hear a lot of people saying 'Oh, it's only 15 cents per hundredweight, that's not so much,'" she said. "My response to that is: Welcome to reality." Hecker said she believes administrative and bureaucratic costs surrounding the tax could make it far more damaging than the 15-cent figure might lead some to believe.

Hecker said she views the new assessment as another proverbial straw heaped on the collective backs of Alaskan dairy farmers.

"We're being nicked and dined to death," she said. "We're treated horribly up here."

Galen said the milk Alaska imports from Outside has already been assessed the 15-cents-per-hundredweight increase, and that the new legislation would therefore apply only to milk the state produces itself.

The 2002 Farm Security and Rural Investment Act, Galen said, contains a stipulation that dairy products shipped into the United States from other countries be assessed the increase.

The inclusion of Alaska, Hawaii, and Puerto Rico in the plan, Galen said, is a gesture of equality, to ensure that the country doesn't come under fire from those exporters for granting assessment amnesty to some of its territories but not incoming dairy products.

"What they're going to say is: 'You're exempting some of your states, but not us?'" he said.

The bill didn't include a stipulation involving Alaska, Hawaii and Puerto Rico, but it might go back to Congress for amendment to include these areas. If this amendment passes muster, the three territories will be subject to the same assessment already common to the other 48 states. However, since the U.S. Department of Agriculture hasn't started collecting an assessment on imported dairy products yet, the timeline for this amendment is not yet static.

"The real issue here isn't Alaska or Hawaii, but imports," Galen said. "The issue with Alaska and Hawaii is really peripheral."

Galen said most agricultural commodities already have assessments applied to them. Beef, for example, takes a \$1-per-head assessment to handle the "Beef -- It's What's For Dinner" ads and other promotional programs. In most of those cases, he said, imports are also assessed the fee.

Galen also said that many states in the lower 48 don't have a dairy surplus, but they're required to handle the assessment anyway.

Alaska might be a special case, however.

Hecker said that all things considered, she felt that she and other Alaska dairy farmers weren't getting a fair shake from governing entities outside the state.

"Alaska doesn't need to be the United States' redheaded stepchild," she said. "I'm not paying for someone else's Ferrari."

Hecker's organization, the ADC, has adopted as its mission the immediate halting of the dairy price increase.

ADC Director of Government Relations Jiona Richey said the coalition was prepared to pursue the assessment's defeat to its conclusion.

"Our outstanding AK State Representatives and Senators helped take our fight to the highest levels. The ADC [and others] is watching closely to make sure that the milk tax is on its deathbed and isn't given life support by the Outside. No one is going to tax our children's milk and get away with it," Richey said in a press release.

The Blue Moon Dairy, Hecker's farm business, recently hosted a press meeting to protest the assessment, inviting a large group of children and state Rep. Bob Lynn, R-Anchorage. In addition, more than 1,000 signatures were gathered by the ADC in its anti-milk-tax petition drive and delivered to the Alaska congressional delegation.

However, farmers and concerned citizens aren't the only ones who have come out against the assessment.

U.S. Sen. Lisa Murkowski, among other Alaska legislators, has voiced strong opposition to the proposed increase.

"Imposition of the milk tax on Alaskan, Hawaiian, and Puerto Rico milk producers would harm their ability to produce milk at competitive prices and would result in price hikes for consumers of milk products including children, low-income families, Alaska Natives, bakeries, and other small businesses," said Murkowski in a June 22 letter to U.S. Trade Representative Robert Zoellick and U.S. Secretary of Agriculture Ann Veneman. "It could also potentially end dairy production in Alaska, Hawaii and Puerto Rico."

Murkowski's letter was signed by U.S. Sen. Ted Stevens, U.S. Rep. Don Young and representatives from Hawaii and Puerto Rico. Some other Alaska politicians who have spoken out against the increase include Reps. Ethan Berkowitz, D-Anchorage; Carl Gatto, R-Palmer; Bill Stoltze, R-Chugiak/Butte, and Vic Kohring, R-Wasilla, as well as state Sen. Lyda Green, R-Mat-Su.

Hecker said Sens. Murkowski and Stevens deserved special praise for their efforts against the tax.

"It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand. Lisa and Ted made sure that this terrible tax idea is on its death bed," she said in a press release.

Galen said that despite accusations that the increase would be used to fuel outside enterprises, the money garnered from the assessment would probably be used to promote dairy in Alaska.

"It would certainly make sense for us to send that money we'll get from Alaska back locally," he said.

Alaska produced roughly 17.6 million pounds of milk in 2002, making it one of the smallest dairy states in the union. California produced approximately 2.9 billion pounds in 2002, while Wisconsin produced approximately 1.8 billion, New Mexico produced approximately 534 million, and Florida, another state that has to import milk, produced 163 million.

The value of Alaska milk per hundredweight in 2002 was \$20.40.

Contact Daniel Spoth at daniel.spoth@frontiersman.com.

History of help

WASILLA -- What started as a small Wasilla satellite office of the Anchorage Community Mental Health Center in 1977 has grown into a 35-acre wellness campus that serves



CHEESE REPORTER

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Cheese Importers Association of America
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New York, NY 10022

Eastern Wisconsin Cheesemakers' and
Buttermakers' Association
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PO Box 418, Wausau, WI 54981

International Dairy-Deli-Bakery Association
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Urbandale, IA 50222

Midwest Butter & Cheese Institute
Terry S. Long, 19177 Factory Creek Road,
Junctionville, MO 65046

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North Central Cheese Industries Association
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North Dakota Cheese Makers' Assn
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Ohio Swiss Cheese Association
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Sugar Creek, OH 44681

South Dakota State Dairy Association
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Southwestern Wisconsin
Cheese Makers' Association
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Wisconsin Cheese Makers' Association
John Umhoefer, 8100 Executive Drive,
Suite 305, Madison, WI 53712

Wisconsin Dairy Products Association
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GUEST EDITORIAL



TIM PEDROZO

Dairy Producer, Farmstead Cheesemaker
Orland, California

National Milk's Trojan Cows

As a successful dairymen and farmstead cheese maker, I seriously question National Milk Producers Federation's two latest efforts on behalf of producers. Although National Milk's CWT (Cooperatives Working Together) program sounds great in theory, I'm not sure they're going about it right with co-op bloc voting and other questionable provisions.

What troubles me even more, however, is National Milk's renewed effort to force USDA to implement the dairy import assessment provision despite the many unanswered questions that remain.

My biggest concern with the import assessment and CWT is that both programs, however well-intended, would lead to more dairy imports. The import assessment in particular would allow exporters like New Zealand to gain an even larger foothold in the US dairy market than they now have. How could this possibly benefit folks who milk cows for a living?

During last year's farm bill debate, I was among many concerned producers who warned Congress that the import assessment had many serious flaws while it did absolutely nothing to increase our dairy farm income. We warned that the assessment would lead to the promotion of dairy imports like milk protein concentrate and would invite harmful foreign retaliation by violating our international trade obligations.

Fortunately, a few lawmakers listened and insisted on certain safeguards in the farm bill, including the requirement that USDA consult with the US Trade Representative on the assessment's WTO legality before moving forward.

In a recent letter to Agriculture Secretary Ann Veneman, National Milk implied that the import assessment would improve farm gate milk prices, which is an outright lie. The import assessment would not put a nickel in farmers' pockets, and they know it.

The import assessment requires, as many producers warned, that dairy products be promoted without regard

to their country of origin. Just as qualified state/regional programs promote Real California Cheese and Real Wisconsin Cheese, importers would be able to use a nickel of their 15-cent assessment to promote imported cheese, butter, milk powder and MPC.

Because of poorly negotiated trade agreements, we would see more dairy imports due to this additional promotion of imports.

CWT raises a similar concern, that unrestricted imports would rush in to fill the supply void created as participating producers slaughter dairy herds and reduce their milk marketings. In both cases, a more thoughtful approach is needed.

The National Dairy Board (NDB) and its management arm, Dairy Management Inc. (DMI), are using the import assessment to take our eyes off the ball—the fact that they could be doing a lot more to develop our domestic market. By not marketing more effectively, the NDB/DMI people are undermining hundreds of millions of dairy farmer dollars invested in promotion in the past 20 years.

As a farmstead cheese maker, I have to work hard to find new markets for my products or I'm out of business. I am surprised and disappointed that the NDB/DMI folks aren't working just as hard as I do by effectively using the Real Seal and other proven marketing tools to sell more of our products in the vast US dairy market.

Instead, the US dairy promotion establishment has undermined the Real Seal by no longer requiring that it be used exclusively on cheese, butter, milk and other dairy products produced and processed in the USA. Importers would be able to confuse American consumers by using the Real Seal and the new Three-A-Day program to promote imported dairy products in the supermarket.

In the future, consumers would no longer have the assurance they're getting American dairy products when they reach for the Real Seal. These changes amount to one step forward and three steps back.

As a farmstead cheese maker, I have to work hard to find new markets for my products or I'm out of business. I am surprised and disappointed that the NDB/DMI folks aren't working just as hard as I do by effectively using the Real Seal and other proven marketing tools to sell more of our products in the vast US dairy market.

In addition, importers could gain even more seats on the National Dairy Board than the two seats already reserved for them, as imports increase their share of the US dairy market once imports are actively promoted.

Informed sources tell me that the real motive behind the renewed push for the assessment has nothing to do with the welfare of dairy farmers. Rather, NDB and DMI reportedly are in a serious financial bind because they included the import assessment in their current budget and have not yet collected a dime from importers. Apparently, they need the import assessment to pay the high salaries of DMI employees rather than for the equity reasons cited by assessment proponents during the farm bill debate.

Finally, consider the fact that National Milk's two largest member co-ops, Dairy Farmers of America and Land O'Lakes, are actively involved in the dairy import business and stand to see their bottom lines fattened by increased imports.

Some fellow producers have pointed out that the import assessment and CWT are both motivated by greed on the part of some overpaid co-op managers and National Milk executives rather than by any real concern for the welfare of the dairy farmers who own these institutions.

PERSPECTIVES

"Importers are taking advantage of the largest, most lucrative dairy market in the world, and all we are asking is that they pay the same checkoff promotion assessment that farmers pay in Minnesota and California and everywhere else."

—Jerry Kozak, president and CEO, National Milk Producers Federation. In testimony before a House subcommittee last month.

Cheese Reporter welcomes letters to the editor. Comments should be sent to: Dick Groves by Fax at (808) 246-8431; or e-mail your comments to dgroves@cheesereporter.com. You can also voice your opinion about the Editorial at www.cheesereporter.com/editorial.htm

Alaska Fends Off Promotion Checkoff

by Pete Hardin

Jerry Kozak's grand scheme to hit dairy imports with a promotion assessment is getting baked in Alaska. Assessing a promotion fee against dairy imports required two moves to comply with global "Free Trade" rules:

- 1) Eliminate the legal requirement that the National Dairy Promotion and Research Board promote only U.S.-produced milk and milk products, and
- 2) Extend the mandatory dairy promotion fee to the teeny, tiny dairy industries of Alaska, Hawaii, and Puerto Rico. (The 1983 federal law that created the National Dairy Board mandatory check-off exempted those three, because they are dramatically deficit milk-producing areas.)

The first phase went smoothly. Kozak is CEO of National Milk Producers Federation (NMPF). Kozak and NMPF worked hard to eliminate the words "... produced in the United States ..." from the 2002 farm law. No matter to the nation's dairy co-op leaders that dairy's "Real Seal" would adorn "foreign" dairy products. NMPF's brain-dead member co-ops control the low-I.Q. national dairy promotion apparatus, so little dissent about deep-sixing "domestic content" portion emerged.

USDA has informed interested parties that any effort to assess dairy imports mandate that dairy farmers in all 50 states pay the dairy promotion fees, before the U.S. will defend assessing imports before the World Trade Organization.

But moves to include Alaska, Hawaii and Puerto Rico have been blocked, and are seen by Washington, D.C. insiders as politically dead. A small coalition of consumers, dairy farmers and dairy processors in Alaska have killed NMPF's scheme to assess

the 15-cent milk promotion fee against these small dairy states. The coalition used politics to trump politics.

Senator Ted Stevens (R-Alaska), chairman of the powerful Senate Appropriations Committee, has strenuously objected to making Alaska's few dairy farmers pay a federal milk promotion fee. Fellow Alaska lawmakers Senator Lisa Murkowski and Congressman Don Young have joined Stevens opposing the scheme. Murkowski was the lead author of a biting, July 22, 2004 letter to USDA Secretary Ann Veneman from several lawmakers, noting "... we will strongly oppose any plan or scenario—irrespective of its construction that would lead to the implementation of the milk tax [on Alaska's dairy farmers]."

Rachel Hecker, an Alaskan dairy farmer, helped form the Alaska Dairy Coalition (ADC). Hecker, whose Blue Moon Dairy is located at Point Mackenzie, enlisted help from day care centers and a local dairy processor. Their main argument: Alaska is by far a deficit milk-producing state and its farmers would not be served by paying a federal fee. "It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand."

Alaskans, it seems, view with severe skepticism mandates from the "Lower 48." In an election year, politics won't force the "milk tax" on Alaskan dairy farmers ... not so long as key figures like Senator Ted Stevens have a say in the matter.

Failing to achieve a promotion assessment against dairy imports is a big blow to NMPF, which willingly killed the "produced in the U.S." requirement of the 15-cent producer assessment. One more time, it appears, NMPF is working against dairy farmers' legitimate interests.

Last update: August 1, 2004 at 3:23 PM

USDA blocks law that would assess promotion fees on dairy imports

The Associated Press
Published August 2, 2004

WASHINGTON - The Bush administration has blocked a law that would have required dairy importers to pay fees to support dairy promotions such as "Got Milk?," concluding that the legislation could subject the United States to international trade challenges.

Because the U.S. dairy promotion program assesses fees only on dairy farmers in the 48 contiguous United States, charging those same fees to all imports could create the appearance of favorable treatment for the domestic industry, the Department of Agriculture says.

The department acted on guidance provided by the U.S. Trade Representative's office, and both agencies propose that Congress rewrite the law so farmers in all 50 states (as well as the territories) pay the assessment. Rep. Tammy Baldwin, D-Wis., plans to introduce legislation to do that this year.

But lawmakers from Alaska, Hawaii and Puerto Rico warn that imposing assessments on their dairy farmers could wipe out local dairy production.

"We will strongly oppose any plan or scenario - irrespective of its construction - that would lead to the implementation of the milk tax," the four senators and four House members wrote in a July 22 letter to U.S. Trade Representative Robert Zoellick.

The group includes a particularly powerful player, Sen. Ted Stevens, R-Alaska. As chairman of the Senate Appropriations Committee, Stevens could insert language into an appropriations bill blocking an expansion of the assessment. Stevens did not return phone messages left last week.

Bill Dropik, a dairy farmer in Nelson, Minn., about 130 miles north of the Twin Cities, argued that his fees are helping to subsidize his competitors' products in the dairy case.

"I really feel that's inequitable," said Dropik, who estimates he pays \$1,500 a year in promotion fees. "The imports do depress our prices."

Wisconsin dairy farmer Stuart Huber agreed.

"This allows a free ride from dairy imports, while I have to pay 15 cents per hundredweight, and they're taking away my market," said Huber, whose farm is in Clintonville, Wis., about 40 miles west of Green Bay.

U.S. dairy farmers pay 15 cents per 100 pounds of milk sold for the promotions, which include celebrities wearing milk mustaches and commercials touting "Ahh, the power of cheese." Since it takes 10 pounds of milk to make a pound of cheese, imported cheeses would be assessed about 1.5 cents a pound for the U.S. promotions.

Assessing fees on imports would bring in about \$8 million a year, or about 3 percent of the \$250 million the program yields now.

When the dairy assessment program was created in 1983, Alaska and Hawaii were excluded because of their low milk production. Both states are considered "deficit areas," meaning they don't produce enough milk to meet local demand.

Climate is a major reason for the low production, said Ed Jesse, a dairy economist at the University of Wisconsin-

Madison. Cows tend to produce less milk in hot regions like Hawaii and Puerto Rico, and the cost to care for them in very cold regions like Alaska is high, he said.

Baldwin, who sponsored the dairy import assessment law, said she was frustrated that it hasn't been implemented.

"I still think that promotion that benefits all dairy industry players is being funded by farmers that I represent, and that is unfair," she said.

Cheese importers argue that their specialty products don't benefit much from generic dairy advertisements.

"As importers, we were against it because all of the money would be spent on promoting domestic products and not spent on imports," said Dan Lynch, a vice president and partner of Jana Foods, a cheese importing company in Palisades Park, N.J., and a member of the Cheese Importers Association.

Cheese importers, as well as several U.S. food manufacturers, lobbied the USDA to not implement the law. In addition, the European Union was on record warning that the law might violate World Trade Organization rules.

"You wonder who they work for sometimes," fumed Rep. Collin Peterson, D-Minn., referring to the federal agencies. "They're afraid there will be a case brought against us or something." Officials at the USDA and the USTR both declined to comment.

When the WTO rules against the United States in international trade challenges, American exporters can be hit hard. This spring, for example, the EU slapped punitive tariffs on some American goods after a tax break for U.S. exporters was ruled an illegal export subsidy by the WTO.

A trade group for the dairy farmers supports expanding the assessment to cover producers in Alaska and Hawaii.

"This is something that's definitely in the best interests of the greater good of the industry," said Chris Galen, a vice president of the National Milk Producers Federation, based in Arlington, Va. Galen said his group is considering ways to ensure that money collected in Alaska, Hawaii and Puerto Rico is spent on advertising milk in those areas.

But Joseph VanTreeck, president and CEO of Matanuska Maid, a dairy processor in Anchorage, Alaska said that dairy farmers in those regions aren't likely to be won over by promises of extra advertising.

"Both Alaska and Hawaii are deficit states, where production is far exceeded by demand," he said. "The farmers will have a problem paying into this program."

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DPW *washington*

With the political conventions on their calendars, the House and Senate left town July 22, for their summer holiday and won't be back until after Labor Day. They left the agriculture appropriations bill, approved by the House, hanging fire in the Senate. Look for several of the unpassed budget bills to be lumped together in one big omnibus spending bill on Congress' return.

Before it left Washington, both houses of Congress passed a free trade agreement with Morocco, a pact that will increase the sale of U.S. farm products to Morocco by two-thirds, to \$382 million, according to supporters. Besides reducing tariffs on agricultural products, the agreement also binds Morocco to accepting U.S. standards for meat and poultry, and includes a provision that gives the United States market access as good as any future agreements Morocco forms with other countries.

Cooperatives Working Together (CWT) officials announced July 29, that two bids have been accepted from Dairy Farmers of America, Kansas City, Mo., to export approximately 440,000 lbs. of cheddar cheese to the Netherlands, and another 3.3 million lbs. to be sold in Europe, Saudi Arabia and Egypt. These bids more than double CWT's total cheese exports so far in 2004, to about 7 million lbs.

The World Trade Organization's (WTO) General Council met last week,

still trying to hammer out a draft framework – called the Doha Development Agenda – for the Doha round of trade talks. By Thursday night, the five largest agricultural producers in WTO – the United States, European Union, Australia, India and Brazil – had agreed in principle on several points of farm trade reform. If accepted by other WTO members, the agreement could pave the way to get all members back into negotiations.

Meanwhile, the European Union's trade commissioner warned that if those talks fail, it could hurt the global economy. The EU has offered to drop all export subsidies but insists that the United States must do as much. An initial draft, calling for eliminating all subsidies for agricultural exports, drew criticism from developing countries, who say richer countries must be required to do more to open up trade. Many developed countries don't like it either because it doesn't ask the United States to address other farm support programs. WTO was to sign off on the framework on Friday, opening the way for final talks later in the year, probably after the U.S. elections.

Low levels of perchlorate, a rocket fuel component, found in California milk earlier this summer has unleashed a barrage of tests and studies. The Food and Drug Administration (FDA) is just starting to release test results. FDA tests for perchlo-

rate in some foods, including milk, trying to find out the extent that perchlorate is in the food supply. Organic dairy cooperative Organic Valley is also testing milk from some of its suppliers for perchlorate. And, the National Academy of Sciences is looking at how the Environmental Protection Agency is setting recommended levels for perchlorate in drinking water, which may be finished by the end of 2004.

National Milk Producers Federation (NMPPF) is pressuring USDA to implement the national dairy checkoff on imported dairy products, as mandated in the 2002 farm bill, according to NMPPF's Chris Galen. USDA is questioning whether the assessment is compliant with WTO, due to a technicality, Galen contends. There are about 10 dairy operations in Alaska and 10 in Hawaii, plus several in Puerto Rico, he explained, that are exempt from the assessment and never have paid it in the 20 years it has been in existence. USDA claims that, unless the checkoff is applied to those operations, they cannot assess importers, something Galen called "a lame excuse."

About 62% of U.S.-produced farm goods come from 3% of its farms, according to a recent USDA study. Those 70,600 farms and ranches, which have annual sales exceeding \$500,000, produced 56.6% in 1997.

USDA's National Agricultural Statistics Service released county profiles from the 2002 Census of Agriculture. Log onto www.nass.usda.gov/census.

DPW August 2, 2004

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Court: 'Got Milk?' campaign illegally milks farmers

PHILADELPHIA, Pennsylvania (AP) --The catchy "Got Milk?" dairy promotion -- famous for plastering milk mustaches on celebrity faces -- violates the free speech rights of farmers forced to pay for the ads, a federal appeals court ruled Tuesday.

The unanimous 3rd U.S. Circuit Court of Appeals decision overturns a lower court ruling that dairy farmers Joseph and Brenda Cochran had to contribute to the National Dairy Promotion Board campaign even though the couple felt the ads did little to support sustainable agriculture products, such as milk from cows that are not injected with hormones.

"The court made clear that just because an industry is regulated, and even if it's heavily regulated, that doesn't mean the members of that industry lose their First Amendment rights," said the Cochrans' attorney, Steve Simpson, of the Washington, D.C.-based group Institute for Justice.

"Got Milk?" is the latest of clever industry promotions whose funding has been found in violation of the First Amendment.

A federal appeals court ruled in July that ranchers could not be forced to pay a \$1-per-head fee on cattle to support the marketing campaign that spawned the slogan "Beef: It's what's for dinner." And an appeals court struck down a similar fee in October that had supported the ads calling pork "the other white meat."

In the latest ruling, the 3rd Circuit said the government's interest in promoting the dairy industry wasn't substantial enough to justify an infringement on the Cochrans' free speech rights by requiring them to help pay for the ads.

Lawyers defending the law on behalf of the U.S. Department of Agriculture have said because dairy prices and distribution are tightly regulated, a joint marketing campaign is the only effective way to compete with other beverages.

Attorney Matthew M. Collette, who represented the Justice Department in the case, did not return a telephone message left Tuesday seeking comment.

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Debunking the Myths of Import Assessments

Myth:

There is nothing wrong with assessing importers. They have been getting a free ride for years from the promotion program. It is about time they paid into the promotion program.

Fact:

While the idea of import assessments may be appealing, importers are not receiving a free ride. The point of the promotion program, according to the Dairy Production Stabilization Act of 1983 and the accompanying report (H. Rep. No. 98-237), is to expand markets for domestic products. However, most imported dairy products are under quota (that is, the amounts that can be imported into the U.S. are limited by trade agreements), which effectively prevents importers from receiving benefits from the promotion.

For example, if an importer has a quota for 100,000 pounds of a particular cheese and is filling that quota, all he can sell is 100,000 pounds regardless of how successful the promotion. This explains why the share of the U.S. market held by importers has declined from 6.5% to 5% since 1984 (the first year of the promotion program). As the size of the U.S. dairy market has increased, imports have not been able to share in its growth because of the quota system.

Myth:

Importers will not be able to promote imports with the assessment funds. The National Dairy Promotion and Research Board (Board) will simply take the importers' money and add it to the general budget. Since importers will only have two seats on the Board, they will not have the representation necessary to influence the Board's activities.

Fact:

While importers' representation on the Board is minimal and importer interests may be ignored, there would be some serious consequences if that were to happen. Primarily, refusal by the Board to permit the promotion of imports and the creation of qualified import promotion boards (similar to the state and regional promotion boards) may be inconsistent with U.S. obligations under the WTO.

Under WTO rules, the U.S. is obligated to give equal treatment to both domestically-produced goods and imported goods. This is known as the national treatment principle and is enshrined in Article III of the General Agreement on Trade and Tariffs (GATT). If the U.S. or any other country adds imports to an existing program, the U.S. is obligated to give equal treatment (such as promotion) to both domestic and imported products. For example, the Board would have to promote MPC, casein, and imported cheese without discrimination. Therefore, if requests by importers to promote imports and to create import promotion boards are denied, importers are likely to claim that their products are not being given equal treatment as domestically-produced products. They would also assert that the Board is collecting the importers' money without promoting their products and without providing any benefits. Once one or more countries bring a successful WTO action, they are entitled to compensation which can come in the form of granting additional market access to foreign countries, lower tariff-rate quota rates (which would result in more foreign dairy products entering the U.S.), and punitive tariffs on U.S. exports.

Importers will also be able to sue in U.S. Federal court to seek invalidation of the importer assessment on Afree speech@ grounds; that is, that they are being forced to contribute to a generic advertising program from which they do not benefit. Once an importer or a group of importers filed a lawsuit, disgruntled domestic producers who do not like the Acheck-off@ program may file suit by joining the importers thus leading to the invalidation of the entire promotion program.

Myth:

Import assessments will have no effect on foreign demands for increased access to the U.S. dairy market through either increased quotas or reduced over-quota tariff rates.

Fact:

Import assessments will place a major weapon into the hands of our trading partners (foreign countries) to demand increased access to the U.S. dairy market for their dairy products.

As stated above, the purpose of the promotion program is to expand the U.S. market. Importers are restricted from expanding their markets by numerical quotas or high tariff rate quota rates. Therefore, the only way for importers to benefit is for foreign countries (our trading partners) to gain more access to the U.S. dairy market either through increased quotas or lower tariff-rate quota rates.

In other words, the assessment presents a great opportunity for our trading partners to demand that our markets be opened for additional access for their foreign dairy products without limitations. If one had a conspiratorial mind, one might think that one or more foreign countries, knowing that the assessment will never be paid because it will be invalidated by a U.S. Federal Court based on a recent U.S. Supreme Court ruling, are secretly in favor of the scheme so that they can go to Qatar in November with a forceful justification for more access to the U.S.

Myth:

Domestic dairy producers are frustrated and concerned about MPCs entering the U.S. and displacing their milk and reducing their incomes. The import assessment will stem the flow of MPC imports.

Fact:

While MPC imports are problematic for U.S. dairy producers, the answer to the problem does not lie in assessing imports. Prior to the Uruguay Round, Section 22 of the Agricultural Adjustment Act of 1933 authorized the imposition of quotas on all dairy imports. However, in the Uruguay Round, the U.S. granted more dairy access to foreign countries than any importer ever dreamed possible. In addition, Section 22 was traded away, denying the U.S. the ability to impose quotas on MPCs. Furthermore, the assessment will not stop the importation of MPCs.

It is interesting to note that the very people who were advising U.S. trade negotiators at the Uruguay Round are the same people promoting the import assessment. Dick Groves, in an editorial in *The Cheese Reporter* on August 17, 2001, assessed the impact of the Uruguay Round and stated, AFrom 1974 through 1995, U.S. butter imports (including the butter equivalent of butter oil) never exceeded 5 million pounds. But since 1998, they=ve never been below 28 million pounds.@ Groves ends the editorial with a dire warning: AAnd for both producers and processors, it may mean there=s going to be less growth in the future, as imports grab a bigger share of the business, a share the domestic industry may never win back.@ Finally, it is important to note that the increased imports came about because of the increased market access granted as part of the Uruguay Round giveaway, and not because of the promotion activities.

The MPC issue is particularly problematic since there is no available record of what types of MPCs are entering the country and what they are being used for. Therefore, it would be advisable to further evaluate MPCs through public hearings and reports prepared by the U.S. Congress, the Department of Agriculture, the International Trade Commission and other appropriate government agencies. This would be consistent with comments made by Representative David Obey (D-WI) on March 16, 2001 on Wisconsin Public Television, in which he stated:

AI don=t think we know anything about these products [MPCs]. They couldn=t even tell us, for instance, what the exact volume of ultra-filtered milk products was or where they were coming in, because they don=t have B they don=t keep a paper trail. So there is very little that we know about these products in terms of their impact on the economy.@

Once we know what MPCs are coming in, we can give detailed and accurate instructions to U.S. negotiators to protect U.S. dairy farmers from MPC imports at the Qatar Round. We can also use the information gained from the hearings to craft a trade policy that will curb the huge surges of MPC imports (since import assessments will not) and is WTO-legal and more consistent with the needs of U.S. dairy farmers.

Additionally, we would be putting our negotiators in Geneva in a difficult position. Their counterparts could look at them and say, AThe U.S. is assessing dairy imports. That=s fine as it may make your market share bigger; however, the level of imports must be able to grow if importers are to benefit from the assessment. Therefore, you must remove all quotas and all impediments to dairy product imports so that we can have unlimited access to your market without barriers,@ Our negotiators may be backed into a corner and may be outvoted at all negotiating sessions, thus accomplishing nothing for U.S. dairy producers. Removal of import quotas will put all dairy products in a similar position as MPC. As a result, the current problem with MPCs would expand to a variety of other dairy products (i.e., cheddar cheese, butter, butter oil). This would lead to a flood of dairy product imports which will sharply reduce U.S. dairy prices and also reduce domestic dairy producer income.

Myth:

Assessing Importers will not jeopardize the benefits provided by the dairy promotion program.

Fact:

Assessing importers will place in jeopardy the continuation of the entire dairy promotion program. In a recent Supreme Court case (*United States v. United Foods, Inc.*, 533 U.S. _____ (2001)), a mushroom grower refused to pay money to the mushroom promotion board. United Foods contended that their free speech rights were being violated since they were forced to pay money to fund a message they did not want to send. United Foods wanted to tell people that their mushrooms were better than anyone else=s mushrooms and they were being forced to fund generic advertising implying that all mushrooms are the same. The Court agreed with United Foods and declared the mushroom promotion program invalid.

Dairy importers will make the same claims, and their case will be even stronger since they will be forced to fund a message that is not only contrary to their desired message, but will also not provide any benefits. Some imported cheese is considered a specialty and of a higher-quality. Therefore, similarly to United Foods, importers try to differentiate imported cheese from domestic cheese and object to generic advertising which implies that they are equal. In addition to the previously discussed quota-based limitations, over half of the money, they will point out, goes towards fluid milk promotion and there are virtually no fluid milk imports. A legal analysis conducted by Robins, Kaplan, Miller, and Ciresi, LLP indicates that an assessment on imports would be unconstitutional.

The analysis goes on to state that an importer lawsuit could spur domestic producers who resent the assessment to join the lawsuit and challenge the entire dairy promotion program. For example, an organic producer who, like the mushroom producer in *United Foods*, wants to send a different message than the generic advertising provided by the promotion board could challenge the constitutionality of the assessment on domestic producers.

Prepared August 28, 2001

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