

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SL&C 12651

1 (c) Satisfactory proof, as determined by the department, that the
2 fee was imposed on each twenty-foot equivalent unit processed.

3 (5) All other applicable provisions of chapter 82.32 RCW apply with
4 respect to the fee imposed under this section. The department shall
5 administer this section.

6 (6) A fee imposed under this section is to take effect no sooner
7 than seventy-five days after the department receives notice, and is to
8 take effect only on the first day of January, April, July, or October.
9 Unless waived by the department, notice includes providing the
10 appropriate department with digital mapping and legal descriptions of
11 areas in which the fee will be collected.

12 NEW SECTION. **Sec. 4.** The freight congestion relief account is
13 created in the state treasury. All receipts from twenty-foot
14 equivalent unit fees imposed under section 3 of this act must be
15 deposited in the account. Moneys in the account may be spent only
16 after appropriation. Expenditures from the account may only be used to
17 provide congestion relief through the improvement of freight rail
18 systems and state highways that function as freight corridors.

19 NEW SECTION. **Sec. 5.** (1) The fee required by this chapter, to be
20 collected by the marine terminal operator, must be deemed to be held in
21 trust by the marine terminal operator until paid to the department, and
22 any marine terminal operator who appropriates or converts the fee
23 collected to his or her own use or to any use other than the payment of
24 the fee to the extent that the money required to be collected is not
25 available for payment on the due date as prescribed in this chapter is
26 guilty of a gross misdemeanor, as provided in RCW 9A.20.021.

27 (2) If a marine terminal operator fails to collect the fee imposed
28 in this chapter or, having collected the fee, fails to pay it to the
29 department in the manner prescribed by this chapter, whether such
30 failure is the result of his or her own acts or the result of acts or
31 conditions beyond his or her control, he or she shall, nevertheless, be
32 personally liable to the state for the amount of the fee.

33 **Sec. 6.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006
34 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and
35 amended to read as follows:

1 (1) All earnings of investments of surplus balances in the state
2 treasury shall be deposited to the treasury income account, which
3 account is hereby established in the state treasury.

4 (2) The treasury income account shall be utilized to pay or receive
5 funds associated with federal programs as required by the federal cash
6 management improvement act of 1990. The treasury income account is
7 subject in all respects to chapter 43.88 RCW, but no appropriation is
8 required for refunds or allocations of interest earnings required by
9 the cash management improvement act. Refunds of interest to the
10 federal treasury required under the cash management improvement act
11 fall under RCW 43.88.180 and shall not require appropriation. The
12 office of financial management shall determine the amounts due to or
13 from the federal government pursuant to the cash management improvement
14 act. The office of financial management may direct transfers of funds
15 between accounts as deemed necessary to implement the provisions of the
16 cash management improvement act, and this subsection. Refunds or
17 allocations shall occur prior to the distributions of earnings set
18 forth in subsection (4) of this section.

19 (3) Except for the provisions of RCW 43.84.160, the treasury income
20 account may be utilized for the payment of purchased banking services
21 on behalf of treasury funds including, but not limited to, depository,
22 safekeeping, and disbursement functions for the state treasury and
23 affected state agencies. The treasury income account is subject in all
24 respects to chapter 43.88 RCW, but no appropriation is required for
25 payments to financial institutions. Payments shall occur prior to
26 distribution of earnings set forth in subsection (4) of this section.

27 (4) Monthly, the state treasurer shall distribute the earnings
28 credited to the treasury income account. The state treasurer shall
29 credit the general fund with all the earnings credited to the treasury
30 income account except:

31 (a) The following accounts and funds shall receive their
32 proportionate share of earnings based upon each account's and fund's
33 average daily balance for the period: The capitol building
34 construction account, the Cedar River channel construction and
35 operation account, the Central Washington University capital projects
36 account, the charitable, educational, penal and reformatory
37 institutions account, the Columbia river basin water supply development
38 account, the common school construction fund, the county criminal

1 justice assistance account, the county sales and use tax equalization
2 account, the data processing building construction account, the
3 deferred compensation administrative account, the deferred compensation
4 principal account, the department of retirement systems expense
5 account, the developmental disabilities community trust account, the
6 drinking water assistance account, the drinking water assistance
7 administrative account, the drinking water assistance repayment
8 account, the Eastern Washington University capital projects account,
9 the education construction fund, the education legacy trust account,
10 the election account, the emergency reserve fund, the energy freedom
11 account, The Evergreen State College capital projects account, the
12 federal forest revolving account, the freight congestion relief
13 account, the freight mobility investment account, the freight mobility
14 multimodal account, the health services account, the public health
15 services account, the health system capacity account, the personal
16 health services account, the state higher education construction
17 account, the higher education construction account, the highway
18 infrastructure account, the high-occupancy toll lanes operations
19 account, the industrial insurance premium refund account, the judges'
20 retirement account, the judicial retirement administrative account, the
21 judicial retirement principal account, the local leasehold excise tax
22 account, the local real estate excise tax account, the local sales and
23 use tax account, the medical aid account, the mobile home park
24 relocation fund, the multimodal transportation account, the municipal
25 criminal justice assistance account, the municipal sales and use tax
26 equalization account, the natural resources deposit account, the oyster
27 reserve land account, the pension funding stabilization account, the
28 perpetual surveillance and maintenance account, the public employees'
29 retirement system plan 1 account, the public employees' retirement
30 system combined plan 2 and plan 3 account, the public facilities
31 construction loan revolving account beginning July 1, 2004, the public
32 health supplemental account, the public works assistance account, the
33 Puyallup tribal settlement account, the real estate appraiser
34 commission account, the regional mobility grant program account, the
35 resource management cost account, the rural Washington loan fund, the
36 site closure account, the small city pavement and sidewalk account, the
37 special wildlife account, the state employees' insurance account, the
38 state employees' insurance reserve account, the state investment board

1 expense account, the state investment board commingled trust fund
2 accounts, the supplemental pension account, the Tacoma Narrows toll
3 bridge account, the teachers' retirement system plan 1 account, the
4 teachers' retirement system combined plan 2 and plan 3 account, the
5 tobacco prevention and control account, the tobacco settlement account,
6 the transportation infrastructure account, the transportation
7 partnership account, the tuition recovery trust fund, the University of
8 Washington bond retirement fund, the University of Washington building
9 account, the volunteer fire fighters' and reserve officers' relief and
10 pension principal fund, the volunteer fire fighters' and reserve
11 officers' administrative fund, the Washington fruit express account,
12 the Washington judicial retirement system account, the Washington law
13 enforcement officers' and fire fighters' system plan 1 retirement
14 account, the Washington law enforcement officers' and fire fighters'
15 system plan 2 retirement account, the Washington public safety
16 employees' plan 2 retirement account, the Washington school employees'
17 retirement system combined plan 2 and 3 account, the Washington state
18 health insurance pool account, the Washington state patrol retirement
19 account, the Washington State University building account, the
20 Washington State University bond retirement fund, the water pollution
21 control revolving fund, and the Western Washington University capital
22 projects account. Earnings derived from investing balances of the
23 agricultural permanent fund, the normal school permanent fund, the
24 permanent common school fund, the scientific permanent fund, and the
25 state university permanent fund shall be allocated to their respective
26 beneficiary accounts. All earnings to be distributed under this
27 subsection (4) (a) shall first be reduced by the allocation to the state
28 treasurer's service fund pursuant to RCW 43.08.190.

29 (b) The following accounts and funds shall receive eighty percent
30 of their proportionate share of earnings based upon each account's or
31 fund's average daily balance for the period: The aeronautics account,
32 the aircraft search and rescue account, the county arterial
33 preservation account, the department of licensing services account, the
34 essential rail assistance account, the ferry bond retirement fund, the
35 grade crossing protective fund, the high capacity transportation
36 account, the highway bond retirement fund, the highway safety account,
37 the motor vehicle fund, the motorcycle safety education account, the
38 pilotage account, the public transportation systems account, the Puget

1 Sound capital construction account, the Puget Sound ferry operations
2 account, the recreational vehicle account, the rural arterial trust
3 account, the safety and education account, the special category C
4 account, the state patrol highway account, the transportation 2003
5 account (nickel account), the transportation equipment fund, the
6 transportation fund, the transportation improvement account, the
7 transportation improvement board bond retirement account, and the urban
8 arterial trust account.

9 (5) In conformance with Article II, section 37 of the state
10 Constitution, no treasury accounts or funds shall be allocated earnings
11 without the specific affirmative directive of this section.

12 NEW SECTION. Sec. 7. Sections 1 through 5 of this act constitute
13 a new chapter in Title 47 RCW.

--- END ---

Multiple Agency Fiscal Note Summary

Bill Number: 5207 SB	Title: Freight congestion relief
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Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Department of Revenue	478,000	287,280,000	720,000	433,199,000	779,000	467,865,000
Total \$	478,000	287,280,000	720,000	433,199,000	779,000	467,865,000

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.3	48,600	48,600	.1	13,400	13,400	.1	13,400	13,400
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Total	0.3	\$48,600	\$48,600	0.1	\$13,400	\$13,400	0.1	\$13,400	\$13,400

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 1/20/2007
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note
FNPID: 14732

25-LS0533VC
Bullock
2/12/07

**CS FOR HOUSE JOINT RESOLUTION NO. 8(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

BY THE HOUSE TRANSPORTATION COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES THOMAS, Samuels, Wilson, Gruenberg

A RESOLUTION

1 **Opposing the enactment by the Washington State Legislature of a bill proposing to**
2 **impose a fee on the processing of shipping containers in the State of Washington because**
3 **of the negative impact of the fee on the people and the economy of this state.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **WHEREAS** Washington state has been the primary gateway to this state since before
6 the first gold rush, more than 100 years ago; and

7 **WHEREAS** the people of this state continue to depend on ships and barges to move
8 almost all of the necessities of daily life from Washington state; and

9 **WHEREAS** many isolated maritime communities that do not have road access
10 depend entirely on marine cargo shipped from Washington state as their lifelines; and

11 **WHEREAS** 97 percent by weight and 60 percent of the value of all goods shipped to
12 Alaska are shipped by water; and

13 **WHEREAS** most seafood harvested in this state and bound for the lower 48 states is
14 shipped from this state to and through ports in Washington state; and

15 **WHEREAS**, during 2003, this state was Puget Sound's fifth largest trading partner,

1 aside from the aerospace industry, and the economic connection between this state and
2 Washington state was responsible for at least 103,500 jobs and over \$4,000,000,000 in labor
3 earnings; and

4 **WHEREAS** Senate Bill 5207, which is pending before the Washington State
5 Legislature, would impose a fee of \$50 for each 20-foot equivalent unit on every cargo
6 container traveling between Washington state and this state; most cargo containers are at least
7 two 20-foot equivalent units and would be subject to a fee of \$100 each time the container
8 leaves Washington state and each time the container returns to that state, regardless of
9 whether the container is empty, partially loaded, or full; and

10 **WHEREAS** Senate Bill 5207 would be detrimental to the trading relationship
11 between Washington state and this state; and

12 **WHEREAS**, because of this state's unique dependence on ports in Washington state,
13 enactment of Senate Bill 5207 would damage this state's economy and cripple many isolated
14 communities in this state by raising the cost of living by several percent;

15 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests that the
16 Washington State Legislature recognize the negative effect Senate Bill 5207 would have on
17 the trading relationship between Washington state and this state and the economic costs
18 associated with that negative effect to both states; and be it

19 **FURTHER RESOLVED** that the Alaska State Legislature respectfully requests that
20 the Washington State Legislature recognize the negative effect Senate Bill 5207 would have
21 on the people and economy of this state, particularly on maritime communities in the
22 southeast part of this state; and be it

23 **FURTHER RESOLVED** that the Alaska State Legislature opposes the enactment of
24 Senate Bill 5207 and urges the Washington State Legislature to consider alternative means for
25 raising revenue to be used for the infrastructure of the ports of that state; and be it

26 **FURTHER RESOLVED** that the Alaska State Legislature urges the attorney general
27 to use the resources of the Department of Law to research the legal issues raised by the tax on
28 shipping containers proposed in Senate Bill 5207; and be it

29 **FURTHER RESOLVED** that, if the tax in Senate Bill 5207 is enacted and the facts
30 and law support an action by this state challenging the tax, the Alaska State Legislature urges
31 the attorney general to immediately file a complaint and request for injunction in Federal

1 District Court and in any other forum that could provide relief.

2 **COPIES** of this resolution shall be sent to the Honorable Chris Gregoire, Governor of
3 Washington; the Honorable Brad Owen, Lieutenant Governor of Washington; the Honorable
4 Frank Chopp, Speaker of the Washington House of Representatives; the Honorable Sarah
5 Palin, Governor of Alaska; the Honorable Sean Parnell, Lieutenant Governor of Alaska; and
6 the Honorable Ted Stevens and the Honorable Lisa Murkowski, U.S. Senators, and the
7 Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

HJR

16

SENATE COMMITTEE REPORT

DATE: 5/9/07

FURTHER:

DATE TURNED
IN TO OFFICE: 3/6/08

Labor and Commerce Committee considered HOUSE JOINT RESOLUTION NO. 16

HJR 16 OPPOSING MILK TAX

Opposing imposition of a milk tax on Alaskans.

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
 Same Title
 New Title

HOUSE BILL:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
forthcoming					

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC.	ABEND
<i>C. Bunde</i>	Bunde	✓			
<i>B. Davis</i>	DAVIS	✓			
CHAIR: <i>J. Ellis</i>	Ellis	✓			

Alaska State Legislature

Chairman
State Affairs Committee

Vice-Chairman
Economic Development, Trade & Tourism
Committee

Member
Judiciary Committee
Armed Services Committee

Finance Subcommittees
Corrections
Labor and Workforce Development
Military and Veterans' Affairs
Public Safety



A Communication From
REPRESENTATIVE BOB LYNN
District 31 Anchorage

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Sponsor Statement HJR 16

HJR 16 makes a statement that the Alaska State Legislature stands firmly behind our Alaska Congressional Delegation, Alaska's Children and citizens in 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 a generic mass advertising, like the "Got Milk" campaign.

Alaska was and still is a milk deficit state. That means our dairy farmers don't produce enough milk to meet our own demand. As a result, Alaska was wisely exempted along with other milk deficit states like Hawaii and Puerto Rico from having to pay into 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 in *The Milkweed*, a national milk 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 weren't bad enough, the milk promotion establishment in Washington D.C. 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.

A milk tax for Alaska, for all these reasons, is bad policy. Please join me in standing up for Alaska's dairy farmers and Alaska consumers of all ages in saying NO to the "Milk Tax!"



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

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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 soda². This could force parents to choose healthier options over milk.

² "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 strokes, 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.
^c "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives, National Dairy Council.
^d Ibid.
^e "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.
^f "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives, National Dairy Council.
^g "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.

"Mushers Against The Milk Tax"

Sponsored by the Alaska Milk Coalition

Iditarod 2006 Special Edition

Iditarod Mushers Join Fellow Alaskans In Rejecting Outside "Milk Tax" Scheme

Mushers in this year's Iditarod Trail Sled Dog Race are joining fellow Alaskans opposed to the costly Outside "Milk Tax."

Like other Alaskans, they understand that the proposed Milk Tax is pure foolishness. Comments like "Incredible!" "Dumbest thing I ever heard of!" and "Whose crazy idea was this?" were common as mushers prepared for the big ride of more than 1150 miles from Anchorage to Nome.

Outside interests are pushing to make Alaska's dairy farmers help fund milk promotion in the Lower 48 states. Promotion fees also fund a \$6 million study on cow flatulence and other dairy farm air emissions¹. Alaska was excluded from the 1983 promotion law because it has always been a milk deficit state.

"Milk is already expensive in Alaska, especially in areas of the Bush along this year's Iditarod route," said Jiona Richey of the Alaska Milk Coalition. "The Milk Tax would make milk even more costly for Alaska's children, low-income families, senior citizens, native population, and Bush residents."

A bipartisan group of state lawmakers has sponsored CSHRJ-5, the "No Milk Tax" resolution, which is now pending before the Alaska State Senate. This resolution, approved unanimously by the Alaska State House last year, sends the strong message that the Alaska State Legislature is resolutely opposed to the Milk Tax.

"CSHRJ-5 will help Senators Ted Stevens and Lisa Murkowski, Cong. Don Young, and Gov. Murkowski in their efforts to stop the Milk Tax in Washington. It's time for all Alaskans to stand united against the Milk Tax!" Richey said.



Clockwise from top: Iditarod musher Glenn Lockwood; Iditarod musher and Yukon Quest 2006 Champion Lance Mackey; Lance Mackey and the Quest champion team race off to Nome! Photos courtesy of Jiona Richey.



©2006 Alaska Milk Coalition. For more information, please contact us at admin@alaskamilk.org

Mushers Against the Milk Tax and Alaska Milk Coalition are not affiliated with The Iditarod Trail Sled Dog Race[®] or its sponsors.

¹ <http://www.brownfieldnetwork.com/gestalt/g.cfm?objectid=0D4268BB-C6D3-C424-5F78C67F3F909416>

United States Senate

WASHINGTON, DC 20510

April 24, 2007

The Honorable Michael O. Johanns
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Secretary:

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 Hawaii, Alaska, 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 express our strong opposition to the possible extension of this assessment and urge you not to include this language in the Chairman's mark as the committee begins work on the 2007 Farm Bill. The Hawaii, Alaska and Puerto Rico congressional delegations also wrote to the leadership of the Senate Agriculture Committee in 2004 to express strong opposition to the extension of this amendment.

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 and geographical distance from the contiguous United States. Neither factor has changed in the past twenty years. In fact, this exemption was maintained in the Farm Security and Rural Investment Act of 2002. As many of our constituents have told us, the milk tax will harm many Alaskan, Hawaiian, and Puerto Rican dairy producers and consumers of milk products including children, low income families, indigenous peoples, bakeries and other small businesses. It also has the potential to end dairy production in Alaska, Hawaii, and Puerto Rico.

The Honorable Michael O. Johanns

April 24, 2007

Page 2

For the aforementioned reasons, we strongly oppose any plan or scenario -- irrespective of its construction -- that would lead to the implementation of the milk tax in Hawaii, Alaska and Puerto Rico. Thank you for your consideration of our concerns.

Sincerely,



DANIEL K. AKAKA
United States Senator



DANIEL K. AKAKA
United States Senator



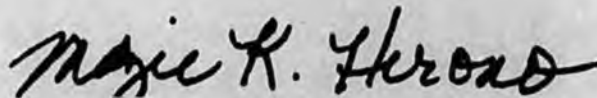
LISA MURKOWSKI
United States Senator



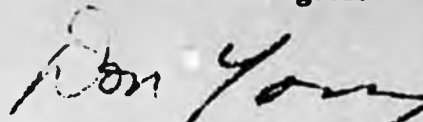
TED STEVENS
United States Senator



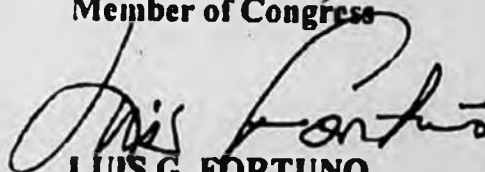
NEIL ABERCROMBIE
Member of Congress



MAZIE HIRONO
Member of Congress



DON YOUNG
Member of Congress



LUIS G. FORTUNO
Member of Congress



Got Milk? Not Enough, as World Dairy Demand Outpaces Production

By Gavin Evans and Danielle Rossingh

May 14 (Bloomberg) -- Milk prices worldwide are rising at the fastest rate ever and won't be falling anytime soon because of growing demand in China and Latin America and dwindling government supplies.

Dairy farmers have failed to keep pace with a 3 percent increase in annual milk consumption, according to Rabobank Groep in the Netherlands, the world's biggest agricultural lender. Reduced subsidies eliminated milk surpluses in Europe and slowed production growth in the U.S., government data show. The rally started last year after Australia reduced exports because of its worst drought in a century.

"Over the next several months we're going to see some pretty strong prices on all milk," said Larry Salathe, an economist and dairy expert at the U.S. Department of Agriculture in Washington. Production needed to bring prices down "takes at least several months, usually a year to two years, to come."

Skim-milk powder, the benchmark for world trade, has risen 60 percent in six months to a record \$1.58 a pound May 4 on the Chicago Mercantile Exchange, seven times higher than the five-year average.

During the first five months last year, prices fell 14 percent. Fluid milk futures on the exchange advanced to a record \$19.15 on May 3 and have risen 63 percent in the past year.

Hershey Co., the biggest U.S. candy maker, and Dean Foods Co., the nation's largest milk processor, said this month that higher dairy costs will hinder profit growth. Domino's Pizza Inc. said it will spend more on cheese, which accounts for 30 percent of the cost of each pizza.

Feeding the Poor

Government aid officials say food programs for children in Indonesia, Mexico, the Philippines and Algeria are likely to be scaled back because of the rising costs. About 80 percent of the world's exported milk powder is sold to developing countries.

"Programs to feed the poor will face difficulties," said Merritt Cluff, an economist with the United Nations Food and Agriculture Organization in Rome, which monitors food security worldwide. "They'll be able to buy less, or they'd have to buy alternative sources such as wheat, but prices for wheat and maize have also risen."

Mexico, the top importer of U.S. dairy products and a buyer of almost \$1.4 billion of foreign supply in 2005, cut purchases of milk powder by 28 percent last year and may buy less again this year because of higher prices, a U.S. Department of Agriculture report showed in November. Mexico already has capped tortilla prices to keep inflation in check.

Raghuveera Reddy, agriculture minister for Andhra Pradesh, an east Indian state of more than 75 million people, said rising milk costs "will have an impact" on the country's consumers.

Different This Time

This year's rally is different from increases in previous years because government surpluses are no longer available in dairy-producing countries such as the U.S., the largest exporter of milk powder, and the EU, the largest exporter of cheese.

U.S. inventories of butter, cheese and dry milk peaked at more than 2.7 billion pounds in 1983. The government that year spent \$2.5 billion on surplus dairy products to support prices and farmer income. Today, the U.S. has no surplus after selling the 27 million pounds it held in 2005, USDA data show.

European warehouses, which had 200,000 tons of milk powder in 2003, are empty, according to Erhard Richarts, dairy expert with the Bonn-based market and price reporting agency ZMP. Skim milk powder exports from Europe fell to 84,000 tons last year from 194,000 tons in 2005, he said.

The European Union said in March that only "residual quantities" of butter are left in member countries after a sale of some 6,000 tons that month.

Demand Gains

The world consumes about 1.9 billion liters of milk a day, enough to fill five supertankers, based on estimates by Rabobank. The 14 percent jump in milk demand during the past seven years outpaced the 13 percent rise in oil use, according to estimates from the International Energy Agency in Paris.

The annual increase in consumption since 2001 was 13 billion liters of milk on average, or about what is produced each year by New Zealand. Milk exports have helped make New Zealand's currency the best performer against the U.S. dollar during the past year among the 16 most-active markets. Uruguay and the Netherlands also are benefiting from dairy sales.

While the 2.5 billion people in China and India are drinking more milk than ever, they still have a long way to go before catching the U.S. Per-capita demand in the U.S., buoyed by the "Got Milk" promotions begun in 1993 by the California Milk Advisory Board, averages 25 ounces a day, almost four times the amount in India and 19 times more than in China.

China's Milk

Chinese consumers, who drink an average of 1.3 ounces of milk a day, will increase demand by as much as 15 percent annually for the next three years, said Mark Voorbergen, a dairy analyst at Rabobank. India's gains will range from 3 percent for milk to 7 percent for processed dairy products, he said.

"We're expecting to see the highest growth in dairy consumption in China because the Chinese government has started sponsoring school milk programs," said Rabobank's Voorbergen. "That means there are now generations of Chinese children growing up who drink a cup of milk every day. This is something completely new, as the Chinese are not traditional dairy consumers."

Rising milk prices have increased interest among investors. Tod McElroy, who helps manage \$2 billion at Hunter Hall International Ltd. in Sydney, is spending \$20 million to make dairies out of cattle ranches in Uruguay.

"The supply is coming under pressure cost-wise, and then you've got this big increase in demand," he said.

Growing Crops

Milk production also may drop because the cost of corn, the primary source of livestock feed, has advanced 55 percent in the past year to \$3.6925 a bushel on the Chicago Board of Trade. Rising demand for grain-based ethanol has increased the price of corn feed and may prevent dairy farmers from expanding their cow herds, agricultural analysts say.

"Producers are still a little scared of the high feed costs," said Joel Karlin, commodity sales coordinator for Western Milling in Goshen, California.

Feed accounts for half the cost of producing 100 pounds of milk in the U.S. The value of a pound of milk was equal to 2.54 pounds of dairy feed in April, up from 2.48 a year earlier, the USDA said. The ratio needs to be at 3 pounds for several months before milk producers will expand herds, Karlin said.

Milk output in the top 20 producing countries rose 1.7 percent to an estimated 425.1 million metric tons in 2006, while consumption of fluid milk rose 1.9 percent to 170.4 million, the USDA estimated in

December. Output was forecast to rise 2.1 percent to 434 million tons as consumption may gain 3.1 percent to 175.7 million, USDA said.

Manufacturers Suffer

``It's a straight supply-demand equation," said Craig Norgate, who used to run Auckland-based Fonterra Cooperative Group, the world's largest dairy exporter. ``The population is in Asia and Africa, and the places that can supply the food aren't."

Manufacturers are suffering from higher dairy costs. Dean Foods on May 3 said earnings this year will be at the low end of its forecasts as raw milk rises faster than retail prices. Shares of the Dallas-based company plunged the most since September 2004.

``Milk prices should actually go higher before settling down," Prudential Equity Group analyst John McMillin said in a May 3 report.

Domino's Pizza of Ann Arbor, Michigan, has already budgeted for higher prices this year for cheese.

``We are horrible at predicting cheese prices and we are not going to start," Chairman David Brandon said on a May 2 conference call, when asked for his outlook.

Domino's has paid prices ranging from 99 cents to \$2.60 a pound in the past eight years, he said. Benchmark U.S. mozzarella prices were \$2 a pound in April, up 6.5 percent from a year earlier, Department of Agriculture data show.

Chocolate Makers

Hershey lowered its annual profit forecast on May 10 because of rising prices for the milk used in chocolate, saying growth may be as low as 4 percent, less than half an earlier projection. Vevey, Switzerland-based Nestle SA said last month it will increase the price of some dairy products by more than 10 percent this year because of higher milk costs.

Milk prices at U.S. stores averaged \$3.32 a gallon in April, up 2.9 percent from a year earlier, USDA data show. Retail costs are likely to go higher, after the government last week raised its month-old forecasts for record wholesale prices. Retail milk prices in the U.K. rose 15 percent in the past year to 2.30 pounds (\$5.56) in April for a gallon, according to the U.K. Dairy Association.

Prices on the farm will jump 34 percent this year to a record \$17.30 per 100 pounds on average from \$12.90 in 2006, up from a \$15.80 forecast in April, the USDA said May 11. The previous record was \$16.13 in 2004. Milk will rise next year to \$17.50, the agency said in its first forecast for 2008.

Farmers Hurt

Farmers are also earning less as retailers seek to limit price increases. In the U.K., some 3,000 of the nation's 18,000 dairy producers may leave the industry in the next two years, according to the Royal Association of British Dairy Farmers and the National Farmers Union.

Even producers have been caught off guard by the market's strength.

``Prices are probably at their peak now," said Henry van der Heyden, chairman of Fonterra in New Zealand. ``But if you'd asked me that 10 months ago I would have probably said the same."

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Mat Maid dairy looks for a way to stay alive**POSTING LOSSES: Board asks government for \$600,000 to keep the milk flowing.**

By S.J. KOMARNITSKY

Anchorage Daily News

(Published: April 26, 2007)

PALMER -- The Matanuska Maid dairy is struggling and could be shut down by the end of the year, according to the Alaska Board of Agriculture and Conservation.

The board asked the state this week for \$600,000 to help the state-owned dairy stay in business.

Members of the board said the money is needed because of more than \$700,000 in company losses the past two years and to fund an independent review to find a way to make the dairy profitable.

The board oversees the state Agricultural Revolving Loan Fund, the sole shareholder in Mat Maid dairy.

Local and national trends, from rising fuel costs and new federal homeland security requirements to competition from lower cost Outside milk brands, have cut into company sales and increased expenses in recent years.

Board chairwoman Rhonda Boyles said the \$600,000 could help the company cover operating expenses while officials try to find a "silver bullet" to reverse the losses.

Without a solution, the state would first try to sell rather than close the dairy, Boyles said. Closing the dairy would be a blow to Alaska's few remaining dairy farms, which rely on Mat Maid to purchase their milk.

The dairy, taken over by the state in the mid-1980s after it went bankrupt, is the largest buyer of local milk and purchases approximately 2,000 gallons of milk a day from five Point MacKenzie dairy farms, according to state officials.

The board, in a resolution passed Tuesday in Palmer, asked for the \$600,000 but at the time gave little explanation. In a statement released Wednesday, the board explained the dairy has lost more than \$700,000 in the past two years on revenues of about \$15.5 million a year.

OPTIONS LIMITED

In a phone interview Wednesday, Boyles praised Mat Maid president Joe Van Treeck but said the company faces an increasingly challenging marketplace. The losses have drawn down the dairy's cash reserves and left it with few options, she said.

Van Treeck was out of state and could not be reached for comment.

Boyles said that besides an independent review of the company bottom line, state money could pay an independent expert to advise the dairy on maximizing its value.

The board in a written statement Wednesday indicated the dairy may close by Nov. 1, but Boyles said although the process of closing could begin in November, the dairy would not actually close until year's end.

Mounting problems at Mat Maid, which started in 1936 as a farmers cooperative in Palmer, have been well documented.

In June 2006, at a 75th anniversary party for the company, Van Treeck warned changing markets were cutting into profitability and recommended privatizing the operation.

State agricultural board members, however, had been mum on their plans to ask for state money.

At the meeting Tuesday, board members discussed the issue in executive session, then emerged to pass the request for funding after less than five minutes of discussion that shed little light on the need for the funding.

Boyles said she was prohibited from talking about the plans because of her seat on a state creamery board that oversees operation of Matanuska Maid. She also worried negative press would hurt the company, she said.

But secrecy and a lack of information didn't sit well with farmers and others dependent on the dairy for their livelihood. About a dozen people, including three Point MacKenzie dairy farmers and a Delta Junction grain grower, piled into the Palmer meeting Tuesday hoping to hear details of the status of the dairy.

Some said they had heard Mat Maid officials were threatening to shut down in the next month if they didn't get state funding -- a rumor Boyles discounted.

'THIS HAS GOT TO END'

Merlene Baskin, a longtime Point MacKenzie dairy farmer, said other farmers told her it was critical she come. Dairyman Craig Trytten of Point MacKenzie said he needed information so he could make decisions about his farm.

"This has got to end," he said, clearly exasperated after the board's vote. "Why do you want \$600,000?"

Some farmers struck a more conciliatory tone Wednesday.

Wayne Brost of Point MacKenzie, a dairyman and frequent board critic, said he would support the funding request.

"Sure I support it," he said. "Why not, to keep them going."

Karen Olson, executive director of the Mat-Su chapter of the Alaska Farm Bureau, expressed relief the dairy was not closing immediately.

That allows time for two proposed projects -- an ice cream and cheese producer and all-local milk operation -- to get up and going and possibly replace the dairy as a purchaser of local milk, she said. Both projects were recently awarded federal grants totaling \$650,000.

Trytten, however, said he would oppose any funding for Mat Maid without more specifics.

"Why give them more money to lose money unless you have a solution?" he said.

What reception the Legislature would give the request was not clear Wednesday. State Department of Natural Resources spokesman Dan Saddler said the board request had been forwarded to the governor, the Office of Management and Budget and Valley legislators. Saddler said if the request goes through, the money will be added to the state's capital budget.

Jeff Turner, a spokesman for Senate President Lyda Green, R-Wasilla, said Wednesday that she was still researching the request. Meanwhile, Gov. Sarah Palin by e-mail expressed interest in helping the dairy but was noncommittal.

"Evidence shows that outside competition has undercut Mat Maid's ability to continue the way it has been operating," she wrote. "The Board of Agriculture's request provides the time it wants for corporate planning -- whether that means greater solvency or closing its doors."

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Breaking News

New mail rates to push bush milk toward \$10 a gallon

By Rob Stapleton
Alaska Journal of Commerce
Publication Date: 03/30/07

A mail rate increase scheduled for May 14 will push the price of milk and staples sky high in rural Alaska, according to Alaska residents and businesses.

"This increase will definitely close the gap for using air freight over U.S. Mail", said Michele Adams, logistics manager for the AC Company. "We are getting closer and closer to air freight rates."

The new rate will push a one ounce first class letter up to \$.41 cents, and a postcard will now cost \$.29 cents. The real increase in the mail rate will be felt harder by those in the rural Alaska, and will further add to the cost of living in Rural Alaska, according to Adams.

"This is huge, I really feel for the folks in the bush", said Adams.

Rates for per pound will increase to \$.12 cents per pound a 40 percent over current rates for bypass mail from Anchorage. Rates for Fairbanks to Barrow will jump to \$.13 per pound or 38 percent over current rates.

Overall the rate increase in 4th class parcel post, non-merchantable, ranges from 29.4% to 58.2% for packages that are not oversized.

Adams also noted that the rate for larger bundled packages above the 70 pound weight actually go up as the poundage goes up and will increase 58 percent.

"This will drive the cost of milk up at least a dollar more a gallon", said Adams.

Christopher Low, a management professor at Ilisagvik College in Barrow, noted that a gallon of milk is selling for \$7.95 a gallon at the AC Store there.

"But you can get milk cheaper now because the store is getting it later because of the bypass mail slow down," said Low. "Milk goes on sale for \$.99 cents a gallon because it gets in one day before it goes out of date, and AC is losing money on it."

USPS Service mail specialist Steve Deaton, did not return phone calls from the Journal for this story.

Michelle Adams says that the Alaska Congressional Delegation has been contacted to try to intervene, or to find help for rural residents.

"We are exploring all the avenues on how to keep prices down, we are even looking at barging in more dry goods this spring, and warehousing them at our stores", said Adams.

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Got milk?**Struggling dairy industry looks for year-round production**

By S.J. KOMARNITSKY

Anchorage Daily News

(Published: October 18, 2006)

ANCHORAGE -- How bad off is Alaska's dairy industry? Consider that today the state has about 800 dairy cows, fewer than on some individual farms in the Lower 48.

But just what the state should do, if anything, to keep the industry afloat is far from clear.

This month, a state-appointed committee of business leaders, politicians and industry officials is tackling those questions with plans to pass their recommendations to the next governor.

The 11-member Dairy Industry Ad Hoc Committee has some high-powered members, including former state House Speaker Gail Phillips and retired Alyeska Pipeline Service Co. president David Wight. It also includes Alaska Mill and Feed president Ken Sherwood and Don Lintelman, who owns the Northern Lights Dairy in Delta Junction.

Like others before them, the group is finding no easy solutions.

At their first meeting last week in Anchorage, the group heard from a variety of presenters, including Matanuska Maid president Joe Van Treeck and Milan Shipka, a livestock specialist with the University of Alaska Fairbanks. The men painted a bleak picture.

Alaska farmers, paid the second highest price for milk in the nation, are nonetheless struggling to make ends meet, according to the state Agriculture Division. They are saddled with high feed costs, large debt loads and relatively poorly producing cows.

Nine dairy farms operate in Alaska, down from a peak of 72 in 1958. The remaining farms, most of them in the Matanuska-Susitna Borough, produce less than half the quantity of milk produced 20 years ago.

Meanwhile, state-owned Matanuska Maid, the main buyer of local milk, is facing its own crisis, brought on by stiff competition and dwindling support for its higher priced milk.

Van Treeck said rising costs, including fuel and employee health insurance, and shrinking sales have the company headed for its second straight year of losses. Despite that, company surveys show strong consumer allegiance to the Mat-Maid label, he said.

Bigger Outside dairies, including those who supply Carrs/Safeway and Fred Meyer, can afford to sell milk at lower prices than Matanuska Maid, he said. A typical gallon of Matanuska Maid costs



Cows at the Beus Dairy in the Point MacKenzie area feed in February 2004. There are fewer dairy cows in all of Alaska than on some single farms in the Lower 48. But what to do about the industry and whether the state should do more to help out are far from clear. *(Photo by MARC LESTER / Daily News archive 2004)*

\$4.39 retail, compared with an average of \$2.99 a gallon for the Outside milk, he said.

Reducing the cost of the milk from Alaska farmers could allow Matanuska Maid to reduce its prices, he said. But how to do that is unclear.

Shipka said the state's dairy farms -- almost all of them family run -- face numerous disadvantages that make milk more expensive to produce in Alaska than in the Lower 48.

In addition to paying more for feed, farms here lack many services available to Lower 48 operations, from experienced dairy veterinarians to good hoof trimmers. The last may sound silly, but if cows' feet hurt, they produce less milk, Shipka said.

"You have to give them manicures?" he said. "Yeah, you do."

Nationwide, dairy farmers have coped with rising costs by consolidating, noted committee member Wes Eckert, a former head of the Seattle-based Darigold Inc., said. His company once bought milk from thousands of farmers, he said. That has shrunk to about 600 farms today, which are far larger and produce far more milk than their predecessors, he said.

Committee members said they see many needs for Alaska farmers from more research on growing high-quality local feed to finding ways to lower the cost of transporting feed, even within state.

Many wondered about producing organic milk since farmers could charge more for their milk. But going organic would require buying organic feed, which is more expensive and isn't currently sold in the state.

Other possible solutions face similar hurdles.

Shipka said one big boost for farmers would be growing higher quality local feed to help cows produce more milk. But growing good hay and grain in Alaska's short growing season is a challenge, and other good sources of protein like fish meal aren't readily available or have limitations. Feeding too much fish meal produces milk with a fishy taste, he said.

One relatively low-cost option would be for farmers to institute a more intensive grazing routine that requires moving cows to a new pasture every 12 hours, he said. That keeps cows eating grass when it's short and has the highest protein content.

The downside, however, is that to maximize production, the cows would all need to calve in the spring. That would mean a wealth of milk in the summer, but no milk come winter, when the cows would dry up, he said.

Clearly, Shipka said, finding a solution that works for Alaska farms is going to take "unique thought."

Rhonda Boyles, a former Fairbanks mayor and chairwoman of the state agriculture board that oversees Matanuska Maid, said she pushed for the creation of the committee because the state lacks a plan for the dairy industry.

The state supports its dairies through state loans and through Matanuska Maid. Farmers also receive some federal subsidies.

Whether the committee can produce a viable plan for the beleaguered industry remains to be seen. At least some said they were hopeful.

Boyles said she expects specific recommendations from the committee and intends to forward its report, due in mid-November, to the new governor, legislators and the congressional delegation.

Van Treeck also said he was encouraged by the group's focus on the industry.

Still others were more circumspect. Point MacKenzie dairy farmer Craig Trytten, noting how support for agriculture in Alaska has varied depending on who is in charge in Juneau, answered a question about the committee's likely effects with his own question.

"I don't know," he said. "Who's going to be the next governor?"

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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

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.

Mario Castillo

From: "Butzlaff, Nathan (Murkowski)" <Nathan_Butzlaff@murkowski.senate.gov>
To: "Mario Castillo" <marlocas@aeglservices.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

CNN.com. **PRINT THIS**Powered by  **Clickability**

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 Washing'on, 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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Find this article at:

<http://www.cnn.com/2004/LAW/02/24/got.milk.suit.ap>

Check the box to include the list of links referenced in the article.



The Dairy Trade Coalition

Saving the Spotted Cow for Generations to Come



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

State	Production ¹	Population ²	Need ³	Surplus/Deficit	% SURDEF
	Millions of Pounds	Actual	Millions of Pounds	Millions of Pounds	MILK PROD
Alabama	224	4557808	2739	(2615)	-1123%
Alaska	13.5	663661	399	(385)	-2855%
Arizona	3742	5939292	3570	172	5%
Arkansas	297	2779154	1670	(1373)	-482%
California	37564	38132147	21715	15849	42%
Colorado	2348	4865177	2804	(456)	-19%
Connecticut	384	3510297	2110	(1726)	-449%
Delaware	131.1	843524	507	(376)	-287%
Florida	2271	17789864	10692	(8421)	-371%
Georgia	1398	9072576	5453	(4055)	-290%
Hawaii	69.6	1275194	766	(697)	-1001%
Idaho	10161	1429096	859	9302	92%
Illinois	1958	12763371	7671	(5713)	-292%
Indiana	3166	6271973	3769	(603)	-19%
Iowa	4020	2966334	1783	2237	56%
Kansas	2276	2744687	1650	626	28%
Kentucky	1371	4173405	2508	(1137)	-83%
Louisiana	433	4523628	2719	(2286)	-528%
Maine	595	1321505	794	(199)	-33%
Maryland	1161	5600388	3366	(2205)	-190%
Massachusetts	290	6398743	3846	(3556)	-1226%
Michigan	6735	10120860	6083	652	10%
Minnesota	8195	5132799	3085	5110	62%
Mississippi	381	2921088	1756	(1375)	-361%
Missouri	1875	5800310	3486	(1611)	-86%
Montana	372	935670	562	(190)	-51%
Nebraska	1077	1758787	1057	20	2%
Nevada	542	2414807	1451	(909)	-168%
New Hampshire	302	1309940	787	(485)	-161%
New Jersey	192	8717925	5239	(5047)	-2629%
New Mexico	6951	1928384	1159	5792	83%
New York	12078	19254630	11572	506	4%
North Carolina	1005	8683242	5219	(4214)	-419%
North Dakota	527	636677	383	144	27%
Ohio	4743	11464042	6890	(2147)	-45%
Oklahoma	1236	3547884	2132	(896)	-73%
Oregon	2284	3641056	2188	96	4%
Pennsylvania	10503	12429616	7470	3033	29%
Rhode Island	18.7	1076189	647	(628)	-3359%
South Carolina	290	4255083	2557	(2267)	-782%
South Dakota	1437	775933	466	971	68%
Tennessee	1102	5962959	3584	(2482)	-225%
Texas	6442	22859968	13739	(7297)	-113%

State	2001	2002	2003	2004	2005
Virginia	1784	7887185	4548	(2764)	-185%
Washington	5808	6287758	3779	1829	33%
West Virginia	194	1816856	1092	(898)	-463%
Wisconsin	22866	5536201	3327	19539	85%
Wyoming	74.3	509294	306	(232)	-312%

¹ NASS Milk Production, Disposition, and Income Annual Summary
<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1105>

² U.S. Census Data, 2005

³ Calculated using USDA estimate of 601 pounds of Dairy products consumed per capita in 2005.

Source: Livestock, Dairy, and Poultry Outlook (www.ers.usda.gov/publications/ldp)

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR16
 () Publish Date: _____

Identifier (file name): HJR016-OOG-LGO-1-23-08
 Title: Opposing opposition of a milk tax on Alaskans
 Dept. Affected: OOG
 RDU: Office of the Lt. Governor
 Component: Office of the Lt. Governor
 Sponsor: Representatives Lynn, Neuman
 Requester: Senate Labor and Commerce
 Component Number: 11

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This resolution will have no fiscal impact on the Office of the Lt. Governor.

Prepared by: Linda Perez, Administrative Director
 Division: Division of Administrative Services
 Approved by: Jay Pullin, Chief of Staff
Office of the Lt. Governor

Phone 465-2644
 Date/Time 1/23/08 1:40 PM
 Date 1/23/2008

HJR

24

SENATE COMMITTEE REPORT

DATE: 3/31/08

FURTHER:

DATE TURNED
IN TO OFFICE: 4/9/08

Labor and Commerce Committee considered HOUSE JOINT RESOLUTION NO. 24 am

HJR 24 OPPOSING FEDERAL INSURANCE REGULATION

Opposing any law that would establish a federal insurance regulatory system.

and recommends:

- be replaced with SCS or CS HJR 24 (L+C)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
HLC/	LEGISLATURE 4/9/08				1

APPROPRIATION - no fiscal note

SIGNATURE AND RECOMMENDATIONS	PRINTED LAST NAME	ZERO	DENY	AMEND
<i>Betty Davis</i>	DAVIS	X		
<i>[Signature]</i>	STREMP			X
CHAIR <i>[Signature]</i>	ELLIS	X		

AMENDMENT

#1

OFFERED IN THE SENATE

TO: HJR 24 am

- 1 Page 2, lines 28 - 29:
- 2 Delete "or otherwise alter the McCarran-Ferguson Act"

ALASKA STATE HOUSE OF REPRESENTATIVES

**Contact:****Insertion Address:**

**3340 Badger Road
North Pole, AK 99705
(907)-488-5725
Fax# (907)-488-4271**

Session

**(907)-465-3719
FAX# (907)-465-3258
State Capitol
Room 214**

REPRESENTATIVE JOHN COGHILL

SPONSOR STATEMENT

**House Joint Resolution No. 24 as .
Opposing a Federal Insurance Regulatory System**

This resolution opposes attempts by Congress to bifurcate insurance regulation between the states and the federal government. The "Optional Federal Charter" has been introduced in both chambers of the U.S. Congress.

To avoid such a move by Congress to enact federal regulation of insurance, the legislature passed HB 439 unanimously in May of 2006. This bill added Alaska to the Interstate Insurance Product Regulation Compact. This commission comprised of thirty states serves as a single point of filing for specified insurance products (life insurance, annuities, disability income, and long-term care products), and established uniform, national standards for those products.

HJR 24 affirms Alaska's opposition to the federal government attempting to supersede state regulation of insurance.



**Alaska Independent
Insurance Agents & Brokers, Inc.**

The Alaska Independent Insurance Agents & Brokers (AIIAB) would like to submit the following comments in support of HJR24.

AIIAB is one of the oldest and largest producer trade associations in Alaska. We represent over 360 independent business owners, agents, brokers and employees in the State of Alaska who sell and service the personal and business insurance needs of consumers. Independent agents and brokers provide a professional service to their clients regarding their property, casualty, life, health, employee benefit plans and retirement plans.

State Based Consumer Protections Must Remain Intact

Alaska in particular has a difficult insurance environment at best. Alaska struggles to find adequate markets and the needs of Alaskan consumers vary greatly from consumers of other states. State Regulators understand the nuances of their own marketplace much better and can respond to market demands much quicker than a Federal Regulator.

It is imperative that the consumer protections that the state regulation of insurance provides, remains intact. The creation of an Optional Federal Charter we believe would decrease the current consumer protections.

Support for Targeted Federal Legislation

AIIAB does support streamlining and modernizing the State system of insurance regulation through targeted and limited federal legislation which would act as "tools" to help establish reciprocity or uniformity to create interstate consistency. This would allow for a system that responds quicker to industry demands yet maintains the State based consumer safeguards which are critical. Examples of limited federal legislation which has worked include:

- Surplus Lines and Reinsurance Reform
- Agent and company Licensing Reform

Federal Regulation is Not the Answer

As stated previously, we do agree that there is a need for specific targeted regulation to improve efficiencies and uniformity in insurance regulation. It is our belief that an "optional" federal charter is not the answer and would increase confusion for both consumers and the agents and brokers that service consumers. AIIAB has many reasons for opposing Federal oversight of the Insurance Industry, here are just a few:

- Local insurance regulation works best for consumers and the state system ensures a level of responsiveness to consumers that could not be matched at the federal level.
- Agents and brokers would be required to become experts on both the state and federal regulations which apply to insurance.
- It would create a confusing environment whereby independent agents could have to deal with multiple insurance companies which could choose to follow state regulation or federal legislation. This would force agents who choose to be state licensed to know and understand a federal regulatory system they may prefer to not deal with but have no choice.
- Small insurance companies could be at a competitive disadvantage against larger companies that could afford to switch between the two systems. The smaller companies could get stuck in an unfavorable regulatory environment that they can't afford to get out of.
- By eliminating or drastically limiting regulatory review of policy language for the small commercial and personal lines markets, Federal Regulation would leave consumers unprotected.
- Federal Regulation would have a negative impact on revenue Alaska collects through a loss of licensing fees and could threaten state premium tax revenue – critical funding relied upon by the states for various purposes.

Federal Regulatory Over site is not the answer and would only provide confusion to our consumers, brokers and agents. We urge you to support HJR 24.

Sincerely,

A handwritten signature in black ink, appearing to be the initials 'JL' followed by a stylized flourish.

P.O. Box 112908
Anchorage, AK 99511-2908

907-349-2500
907-349-1300

HJR

25

SENATE COMMITTEE REPORT

DATE: 1/30/08

FURTHER: State Affairs
Finance

DATE TURNED
IN TO OFFICE: 3/11/08

Labor and Commerce Committee considered HOUSE JOINT RESOLUTION NO. 25

HJR 25 SUPPORTING RIGHT TO FORM LABOR UNIONS

Urging the United States Congress to support the freedom to choose unions.

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:

- Same Title
- New Title

HOUSE BILL:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Fiscal	Impact	Zero	Other

PREVIOUS FISCAL NOTE(S):

Department	Date	Impact	FN#
OOG	1/28/08	✓	2

APPROPRIATION - no fiscal note

NAME	RECOMMENDATION	DATE	NO.	NO.
Bettye Davis	DAVIS	X		
<i>[Signature]</i>	Hoffman		X	
<i>[Signature]</i>	STREIBER		X	
CHAIR: <i>[Signature]</i>	ELLS	X		