

Wisconsin Farmers Union: Farmers share perspectives on dairy oversupply management strategies

Posted on Monday, Jul 23, 2018

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Danielle Endvick
Communications Director
Wisconsin Farmers Union
715.723.5561

A July 19 webinar shared farmer perspectives of one management strategy to reduce milk oversupply. Farmers from Scenic Central Milk Producers, Dairy Farmers of America, and Land O'Lakes talked about their personal experiences with the base-excess plans launched by their cooperatives. A base-excess plan assigns each cooperative member a "base" level of production pegged to the farm's production history, and then assesses an "excess" fee on any milk that the farm produces beyond the base.

Base-excess plans are usually a temporary response to a particular market condition. The plans executed by Scenic Central, DFA, and Land O'Lakes differ in terms of how the farmer's base is calculated, and how the excess fee is assessed. The details of each plan are described in the webinar, which can be viewed for free under Resources at www.DairyTogether.com.

"Times are really tough right now for dairy farmers," said Wisconsin Farmers Union Government Relations Associate Bobbi Wilson. "Wisconsin Farmers Union has been pushing for long-term solutions to the dairy crisis, and this issue has been front and center for our organization. What we envision is a viable economy for all family farmers and rural communities."

Wilson said the webinar was a step forward in that effort. “Dairy farmers need a fair and predictable pay price, and there is a lot of work that needs to be done to get there,” she said. “By holding this presentation, we are not saying that this is the answer, or that base/excess plans will solve the dairy crisis, but we are trying to demonstrate one thing that co-ops can do that is a step in the right direction.”

Grant County dairy farmer Jerry Volenec explained that his cooperative, Scenic Central, launched its base-excess program when the co-op lost milk contracts and found itself selling spot loads of milk for \$4 under the Class 3 price. The purpose of the plan was to bring the level of production in line with the volume that the cooperative had contracts to sell. Volenec milks 320 cows on his Montford farm.

“There were producers who wanted to add cows or bring on another family member, but the co-op just couldn’t take any more milk. The spot load price, which historically could be at a premium, was driving everybody’s mailbox price down,” said Volenec. “If you want to expand, we’re not saying you can’t, but you’re going to bear the burden for that extra milk. It’s not going to dilute everyone’s pay price.”

The Western Area Council of Dairy Farmers of America has had a base-excess plan much longer, since 2008. George Mertens, who milks 800 cows on his Sonoma, California farm, was chairman of the council when the base-excess plan went into effect. Within 3-4 months, the plan had succeeded in eliminating the co-op’s excess production, and the co-op was able to turn the program off.

“It’s simply a management tool for your co-op to manage production,” Mertens said. Several years later, supply started creeping up and the region again found itself in an oversupply situation. Mertens said that all it took was for the co-op to mention that it was thinking of re-instituting the base program, and supply fell back to where it needed to be.

Despite the program’s success, “it was hard at the beginning,” Mertens acknowledged. “There were definitely some unhappy people. Later I asked one of the detractors, ‘why don’t you propose a resolution to get rid of the base program?’” The member had changed their tune, telling him, “I think it’s a good tool.”

Land O’Lakes member Jeff Strassburg was likewise skeptical when he first heard his co-op would be implementing a base-excess program. He milks 900 cows on his Wittenburg dairy farm. “When I was first presented with the idea of a base, I

thought it sounded un-American,” Strassburg said. “Over time, I’ve really found that it’s worked out well, both for myself and for the co-op.”

“I commend the Land O’ Lakes staff for implementing this,” Strassburg said. “Did they take some heat? Yes, and I was probably one of the ones who gave them that heat. Looking back, it was a good move.”

Strassburg noted that no farmers with Land O’Lakes have been terminated due to oversupply and that all farms cutting back a little eliminates the need for any farm to be cut off entirely. He observed that part of what has made Land O’ Lakes’ base-excess program successful has been good two-way communication between the farmer and the co-op.

Strassburg had some words of encouragement for farmers and cooperatives who are considering a base-excess plan as a management tool. “I don’t think someone should be afraid of a base program,” he said. “I see it as something that can move the next generation forward, so there is a future for them on the farm.”

Wisconsin Farmers Union hosted the webinar, and a recording of it will be available at www.DairyTogether.com. After taking questions from the audience, Wilson thanked the presenters and recapped their main take-home message: “Cooperative base-excess plans reduce the financial incentive for farmers to produce more than the co-op can sell profitably,” Wilson said. “It just makes sense.”