

Politics Thick in QIP Fight, CDFA Announces Referendum

by Pete Hardin

During his rough-and-tumble years in California, Mark Twain wrote: “Whiskey is for drinking and water is for fighting.”

In California’s dairy industry, another liquid is “for fightin’” – milk, or more specifically, the money behind that liquid (milk). The current fight focuses on \$160 million annually deducted from all Grade A California dairy producers’ milk checks to fund the Quota Implementation Program (QIP). \$0.38/cwt. is deducted from all Grade A state producers monthly milk checks. That money funds payouts of around \$1.70/cwt. to a minority of California dairy producers who own “quota.”

In November 2018, when USDA took over pricing California milk, dairy producers saw for the first time how much money was deducted from their milk checks to fund “quota.”

After years of rock-bottom milk prices, the

“have nots” (i.e., producers holding little or no quota) are objecting to their milk income being drained to fund the “haves” (quota holders). Efforts to force a producer referendum on continuing the QIP commenced in late 2018.

Very recently, California Department of Food and Agriculture (CDFA) Secretary Karen Ross announced there will be a referendum among state dairy producers on a referendum to sunset the QIP in 2025. That referendum was sought by a producer group, The United Dairy Families of California. That referendum will start in early March.

Two other petitions seeking a referendum, generated by dissident producers under the “Stop QIP” banner, were dismissed by CDFA.

Did CDFA comply with state statutes in creating the QIP? An attorney for CDFA admitted at a March 2019 hearing that the agency had failed to follow California’s Administrative Procedures Act

(APA), when instituting the QIP assessment. California law requires all state fees, taxes and other revenue forms to be vetted through the APA.

The agency that oversees California’s APA has stated it chose not to enforce such regulations, even though the \$160 million per year QIP assessment was not legally instituted by CDFA.

Recently, USDA’s California federal milk order denied a request by Chino dairy producer Craig Gordon to disallow QIP deductions from his milk checks. Gordon contended that QIP is not legal, under state statutes. USDA disagreed.

VERY recently, reports are that the QIP controversy has gained the attention of California’s governor, Gavin Newsome, who is trying to still the waters.

For more information, go to this website:

stopQIPtax.com

DFA Now Biggest Processor of Plant-Based Beverages!

by Peter Hardin

Congratulations, dairy farmer “owners” of Dairy Farmers of America, Inc. Your cooperative, through acquisitions during the past year-plus, is now THE BIGGEST PROCESSOR OF PLANT-BASED BEVERAGES, INCLUDING PRODUCTS LABELED WITH DAIRY NOMENCLATURE!

How’d that happen? Two recent big acquisitions by DFA — Stremick’s Heritage Foods and Dean Foods.

In early January 2019, DFA acquired the outstanding assets of Stremick’s Heritage Foods, a beverage processor based in California, but with additional facilities in Utah and Missouri. DFA paid nearly \$1 billion to acquire the majority percentage of Stremick’s stock that DFA did not already own. At the time of the Stremick’s acquisition, Stremick’s website listed the array of products it processed, both under the firm’s own label as well as other labels. On Stremick’s website at the time of DFA’s acquisition,

the leading products were plant-based “milks.” (Yes, Stremick’s called that swill “milk.”)

In May 2020, DFA gained 40-plus processing plants from the bankrupt Dean Foods fiasco. DFA only paid around \$400 million for those facilities and related Dean Foods’ businesses. At the time, sources told *The Milkweed*, Dean Foods was the single largest “co-packer” of plant-based beverages.

A “co-packer” is a firm that processes food products for another firm, those products are sold under other firm’s labels. Dean Foods’ role as the nation’s biggest co-packer of plant-based beverages was under

the radar. Why? Because several years ago, when Dean Foods sold its WhiteWave business to investors headed by former Dean Foods’ CEO Gregg Engle\$, a restrictive covenant disallowed Dean Foods from marketing plant-based beverages under its own label(s).

Stremick’s + Dean Foods = THE largest processor of plant-based beverages owned by the same parent firm: DFA, the nation’s largest dairy farmers’ cooperative.

Cheer up, suckers. DFA’s farmer members do not share in the profits of those subsidiaries.

Last Month’s Fetal Calf Blood in Lab-Cultured “Meat” Story ...

Last month, John Bobbe provided a jaw-dropping story about use of fetal calf serum (i.e., blood extracted from calf fetuses) as a production medium for “lab-cultured” meat. That article distressed many readers, properly so.

Here are a few observations about fetal calf serum we’ve picked up along the way:

- Blood is extracted from calf fetuses at numerous slaughterhouses. Fetal calf serum is commonly used by the pharmaceutical industry.

- Obviously, slaughterhouses have been collecting fetal calf blood for some time. It is rumored that dairy culls in their third-trimester of pregnancy have added value, because slaughterhouses may extract fetal calf blood. However, recently it appears that demand for fetal calf blood is now exceeding what may be extracted from the normal volume of cull cows. So, certain firms are offering premiums to acquire pregnant dairy replacement heifers for the express purpose of extracting fetal calf blood. Obviously, neither the mother or the fetal calf survive a trip to the slaughterhouse.

- In the processing of “lab cultured” meat, fetal calf serum provides a nutrient-dense medium to spur growth of “meat-like” tissue. Dense media spur growth of tissue in days ... a process that naturally takes weeks for poultry and months for livestock to achieve. It’s fair to compare nutrient-dense fetal calf blood to colostrum. Colostrum is the dense, yellowish-milk secreted by cows for two or three days following their delivery of a calf. Colostrum is full of nutrients and growth-spurring hormones to “jump-start” new life.

- Lab-cultured “meat” is not commercially marketed yet. Untold millions of dollars have been invested in firms hoping to market such products. USDA and FDA are jointly overseeing development and regulation of lab-cultured meat ... including what to call the “stuff.”

- If commercial demand for fetal calf blood expands significantly (whether for pharmaceutical or lab-cultured “meat” needs, firms using that material will have to further dig into supplies of otherwise perfectly healthy, pregnant cows to gain needed supplies.

Dairy’s “miracle of life” that begins with the birth of a calf never seemed so complex.

Kidron, OH (Feb. 4): Severe cold weather limited dairy livestock numbers this day. Nice springing heifers: \$800 to \$1,100. Heavy run of cull cows and strong demand for culls. Top-end culls: \$0.62 to \$0.71 per pound. Back-to-farm bull calves: \$50 to \$120.

Rosebush, MI (Feb. 3): Light sale this day, about 300 head. Curious price shifts from prior month. Open heifers stronger, springing heifers’ prices declined. Prices for just-fresh heifers also down.

200#-300# heifers: \$1.00-\$1.25 per pound. 500# heifers: \$0.80-\$0.90/lb. Breeding age heifers’ prices down \$120 from last month. Short-bred heifers (1st trimester): \$775-\$850. 2nd trimester bred heifers: \$895-\$1,150.

#1 Holstein springers: \$950-\$1,150. A few top-end springers peaked at \$1,200. Best-looking, meaty heifers attracted buyers from kill factories. Just-fresh heifers: \$1,000-\$1,200. A few to \$1,300.

December 2020 Milk Production

State	Milk Cows ^{1,2}				Milk Production ^{1,3}			
	December		October – December		December		October – December	
	2019	2020	2019	2020	2020	Percent change from 2019	2020	Percent change from 2019
	<i>(thousands)</i>				<i>(million lbs)</i>			
AL	--	--	4.0	3.0	--	--	10.0	-16.7
AK	--	--	(D)	(D)	--	--	(D)	(NA)
AZ	194	196	196.0	196.0	411	0.7	1,186.0	-0.3
AR	--	--	5.0	5.0	--	--	14.0	-6.7
CA	1,725	1,720	1,725.0	1,720.0	3,517	3.2	10,242.0	2.2
CO	189	201	190.0	201.0	439	6.3	1,302.0	6.8
CT	--	--	19.5	19.0	--	--	108.0	0.9
DE	--	--	3.8	3.7	--	--	16.4	-1.8
FL	116	111	117.0	111.0	192	-5.0	537.0	-5.0
GA	81	81	81.0	81.0	151	-0.7	434.0	0.2
HI	--	--	(D)	(D)	--	--	(D)	(NA)
ID	635	646	634.0	646.0	1,340	1.2	3,990.0	1.9
IL	82	84	82.0	84.0	155	4.7	446.0	5.2
IN	176	191	176.0	191.0	371	9.8	1,101.0	10.4
IA	215	220	216.0	219.0	466	4.3	1,357.0	3.0
KS	167	173	165.0	173.0	353	5.1	1,034.0	5.8
KY	--	--	49.0	47.0	--	--	220.0	-1.3
LA	--	--	10.0	10.0	--	--	31.0	--
ME	--	--	28.0	27.0	--	--	143.0	-2.7
MD	--	--	42.0	43.0	--	--	221.0	6.3
MA	--	--	10.0	10.0	--	--	47.0	-2.1
MI	427	439	427.0	435.0	997	4.9	2,925.0	4.1
MN	445	455	446.0	452.0	871	4.7	2,562.0	4.7
MS	--	--	8.0	8.0	--	--	31.0	3.3
MO	--	--	77.0	75.0	--	--	259.0	2.0
MT	--	--	12.0	11.0	--	--	62.0	-3.1
NE	--	--	58.0	60.0	--	--	367.0	3.4
NV	--	--	32.0	31.0	--	--	185.0	0.5
NH	--	--	11.0	11.0	--	--	56.0	-1.8
NJ	--	--	4.7	4.6	--	--	24.0	--
NM	330	337	330.0	334.0	708	3.7	2,060.0	2.7
NY	626	626	626.0	626.0	1,296	2.2	3,813.0	1.9
NC	--	--	41.0	40.0	--	--	213.0	-1.8
ND	--	--	15.0	15.0	--	--	82.0	2.5
OH	252	258	252.0	257.0	480	5.3	1,411.0	5.1
OK	--	--	41.0	41.0	--	--	174.0	-2.8
OR	127	125	127.0	125.0	214	-0.5	636.0	-1.2
PA	483	478	484.0	481.0	856	1.5	2,533.0	2.2
RI	--	--	0.6	0.5	--	--	2.6	--
SC	--	--	11.0	10.0	--	--	42.0	-10.6
SD	127	141	127.0	140.0	273	11.9	810.0	13.0
TN	--	--	31.0	29.0	--	--	130.0	--
TX	580	613	577.0	608.0	1,300	7.5	3,800.0	8.5
UT	97	95	97.0	95.0	184	-0.5	548.0	-1.1
VT	124	120	124.0	120.0	217	-3.1	636.0	-3.9
VA	74	74	74.0	74.0	128	1.6	372.0	1.9
WA	282	279	281.0	279.0	559	-0.9	1,665.0	-0.6
WV	--	--	6.0	6.0	--	--	21.0	--
WI	1,262	1,260	1,264.0	1,259.0	2,608	2.6	7,692.0	2.5
WY	--	--	6.0	8.0	--	--	51.8	39.2
24 State Total	8,816	8,923	--	--	18,086	3.2	--	--
U.S. ^{4,5}			9,345.0	9,426.0			55,604.0	3.0

(D) Withheld to avoid disclosing data for individual operations. (NA) Not available. ¹ Preliminary. ² Includes dry cows, excludes heifers not yet fresh. ³ Excludes milk sucked by calves. ⁴ Includes states for which individual monthly estimates are not available. ⁵ Milk cows will not add due to rounding. Source: U.S. Department of Agriculture, National Agricultural Statistics Service, *Milk Production*, (January 2021).