



Sustainable Milk Inventory System Act (SMISA) Proposed Solution to the US Dairy National Milk Crisis

"3 LEGGED MILK STOOL" OF DAIRY ECONOMICS



1 Regional Farmer control
Zero cost to tax payers

2 The ultimate power
is on the farm...
...we own the milk!

3 By standing together
we control our destiny!

TO FEED THE WORLD, WE MUST FIRST BE ABLE TO FEED OURSELVES

"We must hang together or surely
we will hang one by one"
Ben Franklin

SMISA PROGRAM OVERVIEW

1. Pass enabling legislation to facilitate the authority for the USDA to establish a national program of dairy inventory management based on a regional farmer board program under the FMMO system and accounting.
2. All existing dairies are issued regional QUOTA that allows for production of a designated amount of milk at a predetermined price.
3. Each FMMO region of the country establishes a dairy board made up of dairymen with limited processor involvement.
4. Prices are determined by farmers on a region by region basis based on cost of production and other cost indices.
5. Using processors forecast demand for milk for products, each region will produce enough milk to meet processors needs and no more.
6. Any extra milk produced would be used for export at a reduced price per CWT as established regionally. This will strongly incentivize farmers to match their QUOTA and not over inventory the markets beyond established or forecasted demand.
7. Changes in forecast demand for dairy products will cause issuance of additional QUOTA for those dairies that choose to grow and those dairies that will accept more QUOTA. New dairymen can be issued portions of this new quota.
8. New growth QUOTA is issued equally.
9. Dairies can buy and sell existing QUOTA based on the value set on the open market but new QUOTA is only issued by regional boards based on demand increases.
10. This would be a farmer driven program with mandatory enrollment of all dairies including organic.
11. Organic market inventory would use similar system to manage inventory, set premium prices and match up with processor and consumer demand.
12. Vertically integrated producers would be exempt up to 3 million pounds per month as provided under FMMO Producer/Handler exemption.

IN SUMMARY

SMISA was developed by the California Dairy Campaign and members of the California Farmers Union as a long term solution to the serious structural problems faced by the US dairy industry. SMISA was designed to allow for regional cost and supply differences and to allow farmers to control those regional requirements.

The Canadian Dairy industry has a track record of 50 years of dairy stability that places: Price, Supply and Export/ Import under the farmer's control with the full support of government regulators. SMISA is a US version of the Canadian system with improvements. Further refinement and improvements are welcomed to assure that the finest dairy system in the world emerges for the benefit of this generation and the next generations of dairymen and their consumers. Short term solutions based on one time tax payer handouts do not fix anything. We must stand together and structurally change the system to assure the long term sustainability of all US dairies regardless of location, size or niche served.



SMISA - Sustainable Milk Inventory System Act Benefits from “Cow to Consumer”

1. Tax payers will love SMISA because it costs zero tax payers dollars.
2. Bankers love the SMISA “Three Legged Milk Stool”. SMISA QUOTA immediately infuses equity and places a tangible asset onto the balance sheets of financially distressed dairy farmers and assures financial sustainability for the long term.
3. Grain and feed suppliers support SMISA because farmers can pay their bills and buy needed supplies. Currently, feed suppliers are not able to supply farmers when farmers have no funds to pay the supplier.
4. Dairy suppliers that provide sanitary cleaning products are not able to provide needed supplies and dairymen are going without the cleaning materials needed for cleaning.
5. Propane and utility companies are cutting off power and gas utilities and requiring large security deposits in order to reestablish service. This security deposit takes up badly needed cash that the farmer needs for other things.
6. Farmers love SMISA because profitability allows the next generation to stay on the farm and thrive.
7. Processors will love SMISA because the prices and supply of milk will be stable and predictable in their region without trucking cross country. Closing plants and moving to other areas where milk is available costs jobs and is an economic burden on processors.
8. Consumers will love SMISA because both costs and supply will stay stable. An analysis by the Ontario Dairy Farmers Milk Board found that there was little, if any difference between consumer retail product cost in Canada and in the USA.
9. Canadian dairies get \$27 per CWT for their milk as set by regional dairy boards. US producers receive about half of that amount at \$13-15 CWT. It costs about \$19-22 CWT to break even in the USA depending on region. Canadians use the “Regional Three legged Milk Stool System”.
10. Under SMISA processors that export dairy products will have the ability to purchase milk for export on a consistent and reliable basis.
11. SMISA utilizes the current USDA FMMO milk “sources and uses” accounting system plus “regional dairy boards” and costs nothing for US tax payers.
12. Farmers can invest into new efficient equipment, tractors, trucks and new paint.
13. SMISA is very green. Trucks pass each other crisscrossing America moving milk thousands of miles. Milk would be supplied for each region and not require costly milk movement over long distances.
14. Animal health will improve because veterinarians can afford to spend more time with cows and farmers can afford to pay veterinarians.
15. Dairy and nutritional research will have a fully self-funded program.