

# Opinion/Editorial

## The dairy roller coaster

Is there anything in greater disrepute than an economy run Soviet-style?

Probably not.

The now-collapsed communist country was infamous for distorted markets and misallocation of resources. Anecdotes abound. If a Soviet worker was tasked with filling up trucks with diesel, it was not uncommon for the worker to just let the fuel overflow the fuel tanks and spill to the ground. And why? There was no market for diesel. It had no value and, thus, could be wasted.

Given this history, House of Representatives Speaker John Boehner had an easy task last year of swatting down a Farm Bill proposal, championed by Minnesota Democrat Rep. Collin Peterson, to junk the nation's Depression-era dairy support program and replace it with federally subsidized profit margin insurance but also production quotas to guard against overproduction.

The House Speaker hated the plan. "We have a Soviet-style dairy program in America today, and one of the proposals in the Farm Bill would actually make it worse," said Boehner.

Unsurprisingly, Congress and, later, President Obama, sided with Boehner. In the approved Farm Bill, the dairy title provides farmers with free catastrophic insurance of \$4 profit for each 100 pounds of milk produced and increasingly costly margin insurance up to \$8 per hundredweight, but with no "Soviet" supply management.

A funny thing happened, however, on the way to a reformed, efficient, market-based (if partially federally subsidized) dairy industry. The United States created too much milk. Bloomberg reports Northeast dairy cooperatives dumped 31 million pounds of surplus milk during the first five months of this year, including nearly eight million pounds in May alone. Agri-Mark, a 1,200 member dairy cooperative with over \$1 billion in sales last year, unloaded milk into manure pits. The Northeast hasn't seen dumping like this in 50 years.

In normal times, Northeast dairies would have been able to ship surplus milk to Midwest cheese, butter and nonfat dry milk plants, but production facilities in this part of the country, already dealing with record milk production, are operating at full bore.

This milk dumping should serve as a reminder that there is no such thing as a precisely efficient dairy market. Unarguably, supply and demand rule, but inexactly. Markets often overcorrect.

And this should serve as a caution going forward.

The dairy industry suffered a crushing blow back in 2008-10, but, since then, it has been on the mend. U.S. dairymen recorded record profits last year and production is on pace to reach a record 208.7 billion of milk this year. Strong domestic and export demand pushed production milk futures to a record last December, \$25.30 per hundredweight.

Yet the dairy industry roller coaster, enjoying a long ride up, is now headed downward. Milk futures have tumbled 36 percent to the \$16 per hundredweight level and, according to analysts, may decline to the \$14 range by year's end. International realities govern this price drop. A strong U.S. dollar against other currencies has hurt dairy exports and encouraged imports. China's demand for milk products is flagging.

This significant price drop, however, will not slow milk production in states like Wisconsin. University of Wisconsin dairy economist Brian Gould predicts an \$8.20 per hundredweight profit margin per hundredweight in August 2016. Cheaper fuel and feed costs make dairying profitable even as cheese and butter stocks accumulate and prices paid to farmers decline, even up to 40 percent.

The question, then, is how will slowing demand for U.S. dairy products eventually temper the nation's increasing supply of milk under the new Farm Bill. Will markets efficiently find equilibrium? Or will prices really have to crash to provide a needed correction? We fear the latter. The federal government, after all, is ready to spend billions of dollars in margin insurance pay-outs to take the sting out of low prices.

It is easy for Speaker Boehner to ridicule Soviet economic folly and the country's old dairy support program. Yet we don't hear anybody taking credit for milk dumping under our recently liberated "free market" system. And, looking forward, we wonder how the new Farm Bill will work to keep dairy supply and demand in check. If dairy markets collapse under the weight of huge surpluses, will our political leadership take credit for that, too?

### LETTERS TO THE EDITOR

#### Laws of the land and laws of religion

To the Editor:

I support people's First Amendment rights to practice their faith, but the greatest freedom of religion is freedom from being forced to follow a particular brand of religion.

I have questions. Who was Lilith? Adam's first wife? How many wives can a man have? Solomon had over 100 and as many concubines. Do you always get to cherry pick the verses you like and ignore the ones you don't? (Divorce, selling your daughters, owning slaves and eating shrimp.)

One man, one woman is about property. A nomad with livestock could give a sheep or two to his sons, but when land ownership became an issue you couldn't keep cutting smaller and smaller pieces. Marriages were not about love. The father arranged the marriage. Sometimes for land, but, more often, the Biblical prices for a bride was two sheep and an ox. Even priestly celibacy is about church property not being given as inheritance to the children of priests.

Now, as to our forefathers, I am not sure I can say what they would have wanted, but I can tell you I have carefully looked over the Constitution and find no place where this is a Christian or Bible based nation. Being the thorough men they were you would think they would have put it in the Constitution.

Practice your religion in your church, in your life and home, but respect the beliefs of others. Please do not expect the Constitution to conform to your beliefs. The Constitution and the Fourteenth Amendment is the law of the land. The Bible is the law of your religion.

Gerald Koeller  
Hamburg

#### Preserving postal networks

A recent notice asking mail subscribers whether their newspaper arrived late suggests that your readers, like many in rural areas and small towns around the country, are feeling the impact of mail delays.

That's the inevitable result when processing plants are consolidated and mail has to travel farther to be sorted.

Some context may be useful—because the push to consolidate mail centers is only part of a broader attempt to degrade the quality mail service on which folks in Marathon, Athens, Edgar, Stratford and elsewhere long have relied. Some in Washington also want to end Saturday mail delivery, which would prevent your small businesses from receiving weekend checks and orders, and end door-to-door delivery, com-

pelting residents (in Wisconsin's weather, no less) to traipse around neighborhoods daily in search of cluster boxes.

The proposed cuts in service are based largely on the following premise: growing Internet usage to pay bills or send greetings causes the Postal Service to lose billions of dollars a year, taxpayers are on the hook, so services must be degraded.

That premise, however, is demonstrably false.

For starters, postal operations are profitable, and increasingly so. The Postal Service reported \$1.4 billion in operating profits in fiscal year 2014, a figure already surpassed halfway through 2015.

After dropping during the worst recession in 80 years, mail revenue is stabilizing amid an improving economy. Meanwhile, as folks in Athens and elsewhere shop online, skyrocketing package revenue makes the Internet a net positive—auguring well for the future. (Postal operations are financed by earned revenue, not by taxpayers.)

There is red ink at the Postal Service, but it's unrelated to the mail or the Internet. In 2006, a lame-duck Congress mandated that the Postal Service prefund future retiree health benefits. No other agency or company has to prefund for even one year; the Postal Service must prefund 75 years into the future and pay for it all over a decade. That \$5.6 billion annual charge is the red ink.

Yet, some in Washington hope to use this artificial financial "crisis" to dismantle a popular public agency (enjoying 80-plus percent approval), even turn its duties over to private corporations.

To do so, they need to convince you that services you rely on are the problem—hence, that your mail must be slowed, your delivery days reduced, your door service ended.

But degrading postal networks that have returned to profitability is illogical. It would needlessly hurt residents and business owners. It would drive mail away, damaging the Postal Service's bottom line. It would ignore the actual problem—the prefunding mandate. And it would cost Wisconsin jobs. The national mailing industry, dependent on a robust, six-days-a-week Postal Service, employs 7.5 million Americans in the private sector—including 180,238 Wisconsinites.

Wisconsinites should urge their congressional representatives to preserve the postal networks while addressing the prefunding fiasco. Then the Postal Service, based in the Constitution and the largest employer of veterans, can continue to offer Americans the world's most affordable delivery network.

Fredric Rolando  
National Association of Letter  
Carriers  
President