Arkansas Milk Stabilization Board

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Story in Brief

The Arkansas Milk Stabilization Board was established by Act 754, which was passed by the 2007 Arkansas Legislature. Governor Mike Beebe signed the bill on April 2, 2007. This act established the Arkansas Milk Stabilization Board to assure the viability of dairy farming in the state by encouraging increased milk production and to assure consumers of an adequate supply of milk. The board will be composed of two dairy farmers, one consumer, one processor and one retailer.

The goals of the board are (1) to ensure an adequate supply of fluid milk for the population of the state, especially in the case of natural disaster, an act of terrorism or other events that might restrict the flow of milk into the state, (2) to stabilize and/or grow the dairy industry so that it provides an adequate supply of local milk to supply the fluid milk needs of the state, and (3) to promote economic development in the state, especially in rural communities.

The first meeting of the newly formed Arkansas Milk Stabilization Board was September 12, 2007, at the Arkansas State Plant Board in Little Rock. After introductions, Woody Bryant, dairy farmer, was elected to serve as the first chairman of the Dairy Board. Steve Wheelley, Affiliated Foods, will serve as vice-chairman while Brownie Ledbetter, consumer representative, will serve as secretary-treasurer. The other two members of the board are Mike Fisher, dairy farmer, and Mike Flagg, from Coleman Dairy. Secretary of Agriculture Richard Bell coordinates the meetings as the secretary of the Arkansas Agriculture Department, and the director of the Livestock and Poultry Commission shall assist the Arkansas Milk Stabilization Board when necessary by providing resources and guidance.

Introduction

Dairy farms in Arkansas produce approximately 200 million pounds of milk per year while dairy plants process over 900 million pounds of milk per year. Furthermore, Arkansas residents consume over 500 million pounds of fluid milk products yearly and consume over 1,600 million pounds of dairy products each year, based on per capital consumption of dairy products.

Fluid milk is needed on an almost daily basis and is not easily stored for long periods of time compared to cheese, meat products, and other hard products such as cereal grains that are harvested yearly and can be stored for many weeks or longer. Milk is a unique and necessary food for infants and very young children and is considered a daily need for school children.

More and more states provide financial incentives to dairy producers to ensure an adequate supply of milk in the states for economic reasons related to dairy production or to ensure an adequate supply of milk in the event of a natural or man-induced disaster that might prevent milk from getting to the state. Since milk production in Arkansas continues to decline, financial incentives for dairy producers in the state are required to ensure that milk will be available to the population of Arkansas when needed.

The purpose of this report is to update the industry on the establishment of the Arkansas Milk Stabilization Board, which was established to stabilize and/or grow milk production in the state and could be a historic activity relative to the dairy industry.

Results and Discussion

The goals of the Arkansas Milk Stabilization Board are (1) to ensure an adequate supply of fluid milk for the population of the state, especially in the case of natural disaster, an act of terrorism or other events that might restrict the flow of milk into the state, (2) to stabilize and/or grow the dairy industry so that it provides an adequate supply of local milk to supply the fluid milk needs of the state, and (3) to promote economic development in the state, especially in rural communities.

Hypothetical examples of a shutdown of the milk supply could be an interstate highway system being closed. Arkansas now produces less than 25 percent of the milk needed by processors in the state. For dairy producers, the goals of the board mean an economic incentive to produce milk and stay in business.
Nominations for the Arkansas Milk Stabilization Board were received in the governor’s office in summer, 2007, and members were appointed by Governor Mike Beebe. The first meeting of the newly formed Board was September 12, 2007, at the Arkansas State Plant Board in Little Rock. After introductions, Woody Bryant, dairy farmer, was elected to serve as the first chairman of the Dairy Board. Steve Wheeley, Affiliated Foods, was elected as vice-chairman while Brownie Ledbetter, consumer representative, was elected as secretary-treasurer. The other two members of the Board are Mike Fisher, dairy farmer, and Mike Flagg, from Coleman Dairy and Prairie Farms. Secretary of Agriculture Richard Bell coordinates the meetings as the Secretary of Arkansas Agriculture Department and the Director of the Livestock and Poultry Commission shall assist the Arkansas Milk Stabilization Board when necessary by providing resources and guidance.

The Arkansas Milk Stabilization Board continues to meet monthly. The incentives for dairy producers and funding for the incentives are still being discussed. The proposed incentives include (1) a 10% investment tax credit on money spent to construct, improve or acquire buildings or equipment for dairy animal housing, feeding, milk production or waste management, (2) production and quality incentives based on increased milk production above the previous 2 years with quality incentives for milk below somatic cell count levels of 500,000, and (3) a monthly stabilization payment payable to registered Arkansas milk producers when the monthly average price for milk purchased from Arkansas producers by the Arkansas Dairy Cooperative Association and Dairy Farmers of America falls below 70 percent of the average cost of milk production as determined by the National Agricultural Statistics Service (USDA/NASS) in the surrounding states of Missouri and Tennessee. There will be proposed limits of $50,000 per dairy per year for the first 2 incentive programs and $85,000 per dairy per year for the monthly stabilization payments.

The board will recommend a stabilization assessment on fluid milk consumed and/or milk equivalents for other dairy products to be used to fund the Arkansas Milk Stabilization Program. These recommendations must be approved by the state legislature and be signed as law by the governor. A fund balance will be established to accumulate funds in periods when there are no milk stabilization payments. If approved, the Arkansas Department of Finance and Administration (DFA) will collect the assessment. Administration of distributions to milk producers will be by the Arkansas Agriculture Department.

Implications

The Arkansas Milk Stabilization Board has goals to increase milk production in the state so that milk will be available in emergency situations where outside milk cannot come into the state, hypothetically as a result of disaster that might prevent milk from outside the state being delivered to in-state processors. If the recommendations become law, the recommended incentives should make dairy producers in Arkansas more competitive in producing milk with producers in other states.