


A coalition of grassroots dairy producers actively participating, with a unified voice, on policies and issues affecting milk pricing.
www.DPAC.net






DPAC Dairy Policy Action Coalition

Presentation by
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DPAC PDPW Dairy Policy Summit, Wisconsin November 2011

A little about our dairy & my part in DPAC:




CLOVER PATCH DAIRY


- Holmes County, OH
- Sharon and I started in 1991
- 900 Reg. Jerseys -- 450 milking
- Avg: 55 lb 4.7 f 3.7 protein

MY INVOLVEMENT WITH DPAC:

- One of 20 charter board members
- Second term director
- Chair of the Standards & Regulations Action Group



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WHAT IS DPAC?


Dairy Policy Action Coalition (DPAC) formed

Nov. 19, 2009

as an outgrowth of town hall meetings across PA & in OH, attended by hundreds of farmers and their federal and state lawmakers in 2009. Spread to other states throughout 2010-11.





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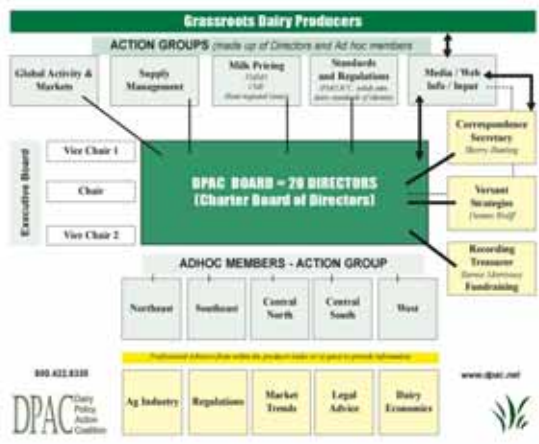


WHO IS DPAC?

- Board:** 100% active dairy producers who *have cows and sell the milk produced from them.*
- 20 Charter Board Members identified key issues (bullet strategy vs. shotgun approach)**
- 2011 Board:** PA, OH, NY, NC, TN, IN, WI
- Ad hoc members also serve on action groups** from additional states, including MN, MI and 12 SE States, which formed their own Southeast Dairy Coalition (SEDC) and collaborate with DPAC on national dairy policy.
- Incorporated as nonprofit 501(c)5
 - Funded by donations, not dues. List of producers donating penny per cwt is growing.**


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- DPAC board: Dairymen with herd sizes ranging from 30 cows to 2000
- Transparency: Detailed Minutes and Activities posted at www.DPAC.net
- Grassroots input from around the country
- Work is done in Action Groups


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Cornerstones for Change



POLICY MISSION:
Equip dairy producers for global realities of the 21st century and position them for the opportunity to be profitable.



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Key policy issues identified by DPAC

- Market Transparency / Price Discovery #1**
- Market Power** (*Farm to retail margin / competition*)
 - Dairy farmer's share of the consumer dairy dollar decreased from 42% in 2002-04 down to 26% 2009-10.
 - 2009 farmers lost \$100/cow/mo. VS. Retail / processing / coops reporting record profits.
- Exports / Imports – Product Innovation**
- Dairy markets are global, national **and regional**
 - Diversity of farm sizes is critical to jobs and infrastructure.
 - Dairies need farm-specific tools not one-size-fits-all program.



Cure worse than disease?

“Debating what is the best choice really has to begin with agreeing on what the problem is.”

Andrew M. Novakovic, Ph.D.
EV Baker Professor of Agricultural Economics
August 2011 paper



Comes back to Market Transparency & Price Discovery

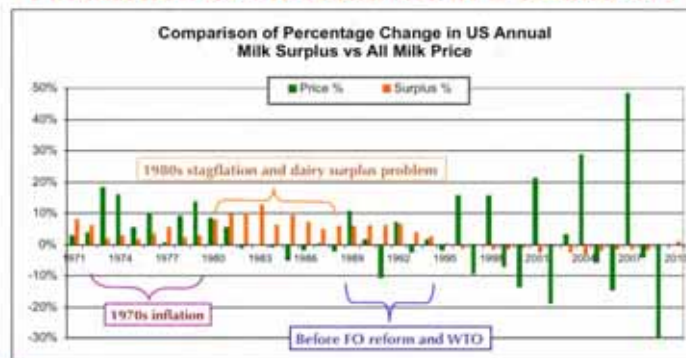


In his August 2011 paper Dr. Novakovic says it much better than I can:

“... I would observe, after 35 years of doing policy and market analysis, that our access to accurate data has deteriorated considerably. We know a lot less about markets that are becoming increasingly complicated.”



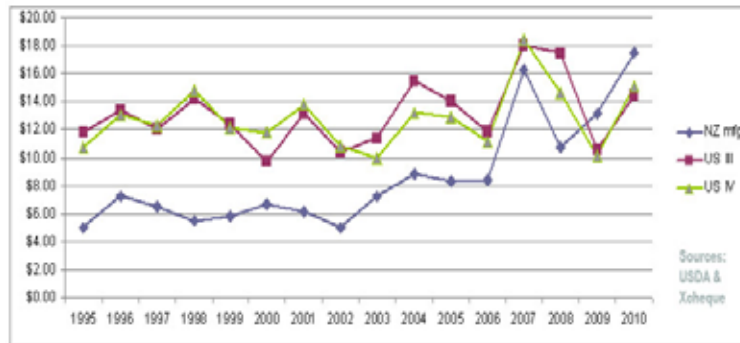
Is Milk Price Volatility Caused by Excess Production or Fluctuations in Demand or?



NZ vs. U.S. Class III & Class IV



US & NZ Price comparisons based on US Dollar and 3.5% Fat & 3.0% Protein

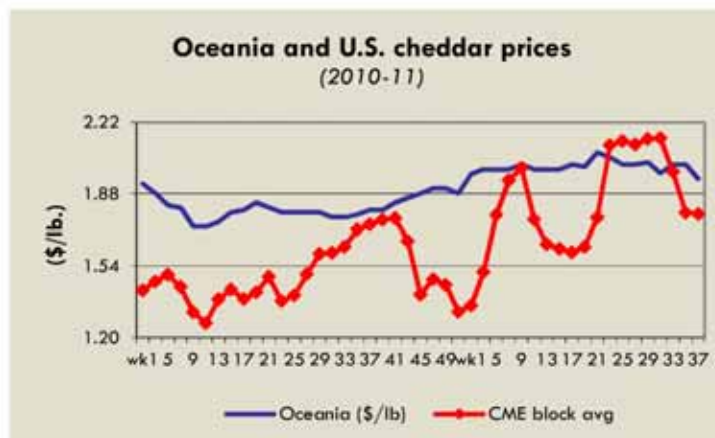


Sources:
 USDA &
 Xohaque

The problem in 2009 was not the fluctuation of prices, but how long the price flat-lined at such a low level even though Oceania prices turned around.



Volatility: World? or U.S.?



Source: CME Daily Dairy Report - Sept. 16, 2011



Cornerstones for Change 

DAIRY ADVANCEMENT ACT
S. 1682 - Sen. Bob Casey (D-PA)



**Will the U.S.
continue to be the
balancer of the world supply or
a leader in supplying the world?**

DAIRY ADVANCEMENT ACT = leader not balancer. 

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Dairy Advancement Act 

**Eliminates
Dairy Product
Price Support
Program**





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Case in Point



- CCC purchased 276,156,841 lbs NFD
Oct. 1, 2008 through Oct. 1, 2009.



- Most of this was bought Oct. 1, 2008 through April 2009 when U.S. imports of MPC's were record high (Dec 2008 to March 2009) before slowing in June 2009.

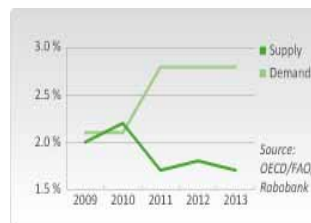
- **World Dairy Demand grew 1.5% in 2009; but U.S. walked away from the market and built inventory.**



Dairy Advancement Act



Processing equipment loan fund
to stimulate investment in making new products and developing new markets.
(Proprietary or co-op)



Demand will exceed supply

Global demand for raw milk will exceed supply in the world in the long term. The graph shows the prediction for the next five years.



Dairy Advancement Act



Flexible safety net targets gaps in private options for managing individual margin risk.

Empowers producers; NOT centralized, one-size-fits-all.

PRODUCERS CHOOSE:

(Choice is permanent)

– MILC capped at 2.4 mil lbs. –

OR

– subsidized LGM-Dairy insurance capped at 3 mil lbs. –

Option to cover additional lbs with LGM at own expense without subsidy.



Dairy Advancement Act



FO Reform: Pricing based on 2 milk classes

Fluid & Manufacturing

Both determined by component values

Report to Congress & Economic Impact Assessment

Take time – Do it right – Competitive surveys &/or formula

Why? *Simpler & more transparent pricing.*


Current system too complex and volatile.

Move milk more quickly to higher value.

Encourage new product and market development:

-- Market-based manufacturing decisions vs. “set” make allowances.



Dairy Advancement Act 

Improve market transparency


Daily electronic reporting of product prices and volumes
(Section 1510 of current Farm Bill)

Report more products
(such as mozzarella & yogurt)

Require more plants to report
(expand list)

Mandatory monthly inventory reports
(subject to auditing) 

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Dairy Advancement Act 


Purpose of improved reporting:

Dilute influence of thinly-traded CME

More functional market

Improve timeliness of reports


Improve confidence in reports

***More information on more products at
21st century speed*** 

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DPAC opposes supply control because...



- It adds another layer of government control on top of the broken system.
- Negative impact on global market development, long-term global customer relationships & product innovation.
- Sends wrong signal to world: That U.S. farmers will be first to walk away from market.
- National margin program tied to supply control puts all risk on farmers and taxpayers and does not address the market issues.
- Moves dairy in wrong direction... to more gov. reliance. 

Dollars and Sense



- Dairy Advancement Act (S. 1682): CBO Score PENDING (CBO overwhelmed with budget appropriations scoring.)
- Our analysis shows that if **LGM-Dairy in Dairy Advancement Act** covered 42% of the U.S. milk production, the government liability and taxpayer exposure would have been **\$480 MILLION in '09 / zero in '03 & '06.** (17-pg. report available)
- Compared with 42% of U.S. milk production covered under the **Dairy Producer Margin Protection Program in the Dairy Security Act**, which would have carried government liability and taxpayer exposure in **excess of \$5 BILLION in '09, plus \$1 bil. in '03 & \$550 mil. in '06.** 

IN SUMMARY:

DPAC Dairy Policy Action Coalition

Cornerstones for Change / The Dairy Advancement Act (S. 1682)
is policy reform that equips dairy producers to supply the global markets of the 21st century and positions us for the opportunity to be profitable.

The question is: *Will we continue to be the balancer of the world supply or a leader in supplying the world?*

Decisions in Congress today will determine our future tomorrow as American dairy farmers.

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For more Information

DPAC Dairy Policy Action Coalition

- **The Dairy Policy Action Coalition (DPAC)**
 - ***www.DPAC.net***
 - 890 N. Reading Rd., Ephrata, PA 17522
 - 800.422.8335 (Ask for DPAC)
 - Correspondence Secretary: **Sherry Bunting *agrite@ptd.net***
- **Presenter: Alan Kozak**, Clover Patch Dairy, Millersburg, OH
 - Email: ***grass4jerseys@yahoo.com***
- **Dennis Wolff, DPAC government relations consultant**
 - Dennis is a lifelong dairy farmer and former state ag secretary
 - Today he is a partner in Versant Strategies, Harrisburg, PA
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