

Common ground with western states: status quo not an option

By SHERRY BUNTING
Special for Farmshine

RENO, Nev.—There is a sort of symmetry to the notion that a unity of purpose would be discussed in Nevada, where the state motto is: “All for our country.” The state flag, after all, bears the phrase “battle born.”

This week, one could say members of America’s battle-bruised dairy industry met here seeking a sort of unity of purpose on several fronts, perhaps most pressing being the need to truly look at the future of the dairy industry and chart a course of opportunity.

Merriam Websters’ second definition for “unity” is: “a condition of harmony.” That’s what is developing among dairy producers amid the ongoing national debate on ideas.

But “harmony” does not come from everyone singing the same note. Instead, it is the blending of different people singing different notes that sound really good together. Not everyone is meant to be a soprano. The point is that dairy producers today, more than ever, are talking to each other. They are sufficiently concerned about the future of dairying in the U.S.

Having had the opportunity to meet and correspond with dairymen across the country—as both a journalist and in serving as correspondence secretary for the Dairy Policy Action Coalition (DPAC)—it is obvious to me that there is a lot of common ground out there.

In September, DPAC received an invitation to attend the Western States Dairy Producers Association (WSDPA) meeting Oct. 25 and 26 in Reno, Nevada. WSDPA includes dairy organizations representing producers in about 10 western states.

Occurring separately at the same location—the Grand Sierra Hotel—was the joint annual meeting of the National Milk Producers Federation, National Dairy Promotion and Research Board, and United Dairy Industry Association.

For DPAC vice-chair Rob Barley and myself, it was a privilege to be able to participate in WSDPA’s 10 hours of meetings this week.

They invited us as part of their effort to reach out to producers in other regions, and DPAC accepted the invitation in the same spirit, after

DPAC Update

‘Controlling your own destiny’



“Sierra Nevada” means snowy mountains. Viewed from the air, they remind us of how beautiful and different each region of the United States can be, and they inspire a humbling awe for our Creator. (Above) DPAC vice-chair Rob Barley (left) talks with Robert Hagevoort of New Mexico State University during a break at the Western States Dairy Producers meeting.

having reached out this year to meet with producer groups in the Midwest and Southeast and after having made some contact with western producers via email and through DPAC’s participation in a nationwide discussion of dairy policy in Chicago back in July.

Dairy producers realize their industry is at a crossroads, and they know one region’s voice, alone, will accomplish far less than a harmonized approach at the grassroots level across the nation. The future is not about East or West; large or small. It’s really about taking an honest look at the factors affecting opportunity.

Jim Krahn, from the Oregon Dairy Farmers Association and member of Tom Vilsack’s Dairy Industry Advisory Committee gave a report from Washington.

Krahn noted the system is one-thousand times more complicated than he ever imagined and “one piece” won’t solve it. There will be a give and take process by everyone.

The first of three DIAC subcommittee reports is expected in a few weeks, and the DIAC will meet again on December 12. Their ultimate report to Secretary Vilsack will be used to move forward on future policy amid the budget realities the government faces and the economic realities the dairy producers face.

The development, nationwide, in recent weeks is that National Milk’s Foundation for the Future is emerging as a comprehensive framework with more detail, and dairy leaders are digesting it and discussing it while waiting to see which party will control Congress after the Nov. 2 elections.

In all of the discussions DPAC has had with producers from East to West this year, an overriding theme has been that producers and consumers need choices and competition in the marketplace. As producers contemplate their views on supply management, the conversation DPAC has been pushing forward is price discovery: overhauling the system so that the producer is more informed and does not carry all the price risk.

In the next 60 to 90 days, there will be plenty of detailed discussions of the Foundation for the Future proposal. DPAC, and the newly formed Southeast Dairy Coalition, along with other organizations we correspond with, are evaluating the pieces. But we already are in agreement with the piece that eliminates the guaranteed government purchases of products for stockpile.

There is also considerable agreement for the concept of major reform in the way milk is priced by moving toward a competitive pay price and away from end product price formulas with guaranteed make allowances, and to dilute the influence of the Chicago Mercantile Exchange (CME) as the driver of the milk price by achieving price discovery methods that would share risk among the dairy sectors and give dairy producers an opportunity to be profitable.

One key aspect of dairy’s future is the undeniable effect of a global marketplace.

It is here. It’s not going away. But there are different ways to look at this fact. Consumers at home indicate they want to buy “local.” They should know the source of their milk products so they can have a choice.

Import assessments, tariffs and other such proposals are getting no where. But sometimes the best defense is a really good offense.

Perhaps the thought that stood out to me during the WSDPA meetings this week was their discussions about increasing demand and pro-

ducing what the market wants.

What people don’t always realize is that “producing for the world market” does not mean just the export side, but also the import side. We need to compete and produce the products the market wants both here and abroad.

During the WSPDA meeting, Tom Suber, president of the U.S. Dairy Export Council, talked about recent trends and the near term outlook. He also touched on the Bain report, which was released a little more than a year ago.

He said the U.S. is in a positive trade balance on a milk solids basis this year, even though we are deficit on the value side, largely because the U.S. imports high value proteins and cheese while exporting lower value whey products. Still, cheese and other exports soared this year without much assistance.

Suber’s graphs showed how the U.S. supported the world price in 2009 (and other years) while diminishing its own ability to recover because of the buildup of government-purchased product in storage. Exports this year continued the long term trend upward, which actually began in 2002-03. Before the collapse in late 2008, the U.S. exported almost 12% of its production on a milk solids basis. From January through August of 2010, that percentage increased to 14%, but not at 2008 price levels.

What seems clear is that demand is the issue to focus on, along with the idea of “producing for a market.” The world market is getting back to where demand is growing to strain supply, and the product mix has changed as China has imported huge amounts of whole milk powder (WMP) from the world market, which pulls fat away along with the protein.

There is opportunity for the U.S. if dairy producers are ready to be a consistent supplier making the products manufacturers want both here and abroad. The central question is: What is the cost of inaction? No matter where producers are on the spectrum of ideas, it is clear that maintaining the status quo is not an option. This collective discussion needs to continue between dairy producers across the United States.

Look for more on these topics in a future DPAC Update in *Farmshine*.