



# DPAC connects with Advisory Committee in D.C.

By **SHERRY BUNTING**  
Special for Farmshine

WASHINGTON, D.C.—Trust. That was a word that resonated with the Dairy Industry Advisory Committee (DIAC) during their second meeting at the USDA Whitten building here last Thursday.

“We connected,” observed the Advisory Committee’s vice-chair Erick Coolidge after the Dairy Policy Action Coalition (DPAC) presented its “Cornerstone for Change” at the June 3 meeting. “We were all leaning forward. They caught everyone’s attention.”

He said DPAC has given some things the Committee’s chairman Andrew Novakovic can begin writing for September—the first of two deadlines from Ag Secretary Tom Vilsack.

“Right now, the bottom line is we don’t trust the tools we have. We need to make the tools better,” Rob Barley told the Advisory Committee. Barley is a Lancaster County, Pa. dairy producer who serves as a vice-chair of the DPAC charter board. “To look forward, to make decisions, or to get protection, we have to first understand what is going on in our market.

“The CME is not heavily traded enough to justify having the influence it does right now on our milk price,” he said further. “We need price reporting that is done on a daily basis and includes more products, so farmers can see every day what happened every day. We as dairy farmers feel very inadequate in being able to



(At right) Former PA Ag Secretary Denny Wolff (right) and DPAC vice-chair and Lancaster County, PA dairy producer Rob Barley presented DPAC’s “Cornerstone for Change” during the second meeting of the Dairy Industry Advisory Committee (DIAC) in Washington, D.C.

(Above) The DIAC members engage with Wolff and Barley in discussion centered on price discovery. Committee members at the table (counter-clockwise from top right corner) are: Paul Bourbeau, Paboco Farms, VT; Timothy Den Dulk, Den Dulk Dairy, MI; James Goodman, Northwood Farms, WI; James Krahn, Oregon Dairy Farmers; Edward Welch, Associated Milk Producers, MN; Robert Schupper, Giant Food Stores, PA; Sue Taylor, Leprino Foods, CO;

James Williams, Williams Trucking, GA; Manuel (Ray) Souza, Mel Delin Dairy, CA; Robert Wills, Cedar Grove Cheese, WI; Patricia Stroup, Nestle USA, CA; Jay Bryant, Maryland-Virginia Co-op, MD; Debora Erb, Springvale Farms/Landaff Creamery, NH; Dana Coale, USDA AMS Dairy Programs Administrator; Erin Taylor, Deputy Federal Official. Not shown to the right are chairman Andrew Novakovic, dairy economist at Cornell University, NY and vice-chair Erick Coolidge, Le-MA-ra Farm, PA. Also not visible is Ed Maltby, Northeast Organic Dairy Producers Alliance. Missing is Rodney Nielsestuen, Wisconsin Dept. of Ag, who was represented by dairy economist Bob Cropp.

Photos by Sherry Bunting

look at what’s happening in our market the way it’s done right now.”

Barley was joined at the podium by former Pennsylvania Ag Secretary Dennis Wolff,

who serves as DPAC’s government relations consultant.

“Dairy farmers feel strongly that we need improved price discovery with good informa-

tion and a broad cross-section of products,” Wolff explained.

“We know it won’t get rid of volatility, but it will reduce volatility and restore trust. We feel daily reporting is the first step,” said Barley. “There is universal agreement that we need to reduce the influence of the thinly-traded CME. We see the volatility there. Knowledge is power, and our push for daily electronic reporting is about accuracy and timeliness. It’s the cornerstone of anything else we do.”

The earlier discussion between the Committee and USDA AMS chief economist John Mengel and NASS statistician Joe Gaynor was revealing. The Committee’s questions delved into the way prices are currently reported for setting minimum prices paid to farmers, exposing ways the current process falls short (more details in a future Farmshine).

Wolff and Barley, up next on the agenda, offered the solution: Congress needs to fund and USDA needs to implement the daily electronic reporting authorized in section 1510 of the current Farm Bill, and to include more dairy products in the reporting.

According to USDA’s Annual Summary released May 3, Italian cheeses (primarily mozzarella) were 41.4% of total cheese production last year compared with 41.6% American-style cheddar. Italian cheese is expected to surpass cheddar this year—fueling the need for daily and expanded reporting. **turn to page 17**

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Committee member Sue Taylor of Leprino Foods noted that cheddar is a uniform product (to which Robert Wills of Cedar Grove Cheese said: Not as uniform as you think), whereas mozzarella has a range of moisture levels and yields. Taylor asked how daily electronic reporting would handle that.

Wolff used the daily beef report with its long list of retail cuts as an example: “You code the product with a description, and report the sales in that category each day,” he explained.

DPAC also presented a discussion of moving from four milk classes to two and moving away from product price formulas in favor of a competitive pay price. “Together, these policies will encourage milk to move to its highest value use,” said Wolff, adding that today’s guaranteed margins or “make allowances” coupled with the federal government serving as a buyer in times of oversupply, actually discourage innovation for the marketplace and further suppress U.S. market share.

He talked about eliminating the Dairy Product Price Support Program. Committee members did raise concerns about the specific interests of California, where 55% of the powder is manufactured and processors and co-ops have huge investments in powder plants based on the current system.

“We appreciate that some of our proposals do not align with the manufacturing decisions in the past,” Wolff responded. “Those plants that made that investment should have dollars available to make the transition. If the government does not spend money buying product, we believe the money should be used for grants and low interest loans to help those plants retrofit to make



The DPAC crew never made it to lunch. The discussion they started during the meeting, spilled over into the break. (Above left) Barley (left) and Wolff talk to the Committee vice-chair Erick Coolidge (right). (Above right) DPAC chair Cliff Hawbaker talks with Committee member Robert Schupper. (At right) In the foreground, Barley talks with attendee Ben Yale, a well known dairy law expert, while in the background, Wolff follows up with Committee member Ray Souza and Wisconsin Farm Bureau representative Jeff Lyon and Hawbaker talks with Committee member Patricia Stroup. *Photos by Sherry Bunting*

the transition and become more competitive with products for the domestic and global marketplace.”

With approximately 10 to 13% of the nation’s milk used in powder production and around 50% of this product being exported, not to mention the Class IV category is under the greatest pressure from imports, it makes sense to produce products for the global market. But during 2009, with milk prices at historic lows, that’s not what happened: The U.S. made 40% less skim milk powder than in 2008, according to USDA’s 2009 Annual Dairy Products Summary. The world market wants skim milk powder, not nonfat dry milk.

Wolff explained how the relationship between pricing formulas with fixed “make allowances,” along with government support purchases, provide no incentive for product

innovation in the market.

“Why risk making something else for the market when the system guarantees a profit making marginal products that don’t fit the demands of the market?” he asked.

Wolff told the DIAC that, “We need to encourage competition, provide market transparency, utilize better reporting, and encourage fairness in dairy pricing.”

In section 1509 of the current Farm Bill: “Congress specifically wanted an evaluation of the current system,” said Wolff. “That commission is now your committee. We need your help to simplify the current system, and to implement and then expand the daily reporting to include more products. That will be critically important going forward.”

Barley stressed that, “The current system is too complex, lacks good price discovery,



too few people truly understand it, and this allows ‘gaming’ the system. We need policy that is broader, simpler, and more transparent. The market risk needs to be shared on both sides. We’re not looking for a guarantee. We’re looking for a fair system that gives us the opportunity to operate our businesses profitably.”

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DPAC also met with National Milk Producers Federation (NMPF) on June 3 and presented to Farm Bureau June 8. The coalition will travel to Madison, Wisconsin to discuss market transparency at the USDA/DOJ workshop June 25.

DPAC is funded by donations and has a board of 20 dairy producers from three states corresponding with producers in 23 states. For information, call 800.422.8335.