



The Dairy Policy Action Coalition (DPAC) is a coalition of grassroots dairy producers that formed in November 2009 for the purpose of actively participating, with a unified voice, on policies and issues affecting milk pricing. The board is made up of 20 active dairy producers (who have cows and sell the milk produced from them) in seven states with operations ranging from 30 to more than 2000 cows. Ad hoc members from more than a dozen states serve on action groups.

DPAC'S CORNERSTONES FOR CHANGE:

- *Equips U.S. dairy farmers to supply the global markets of the 21st Century.*
- *Positions U.S. dairy farmers for the opportunity to be profitable.*
- *Equitably shares price risk across the sectors of the industry.*
- *Reduces the industry's dependence on government subsidies.*
- *Simplifies the milk pricing system and brings transparency to the marketplace.*
- *Improves federal dairy policy rather than adding new layers of government mandated supply control.*
- *Provides incentives for self-help, market development, and voluntary market adjustment within the industry.*
- *Recognizes the economic benefit of family dairy farms in rural communities throughout various milk sheds and the consumer interest in local food.*

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DPAC's federal dairy policy proposals — *Cornerstones for Change* — have been under development since March of 2010 and a legislative outline was approved recently. The six page outline is available at www.dpac.net.

CORNERSTONES FOR CHANGE: Summary of Key Points

- **1) Develop a simpler and more transparent pricing system based on two classes of milk: Fluid and Manufacturing.** Competitive pricing and minimum component values for one manufacturing class are part of this process. The purpose is to move milk more quickly between uses to its highest value for a better return to producers and to encourage new product and market development.
- **2) Establish dairy product price and volume reporting that is more timely and transparent.** More frequent electronic reporting was authorized in Section 1510 of the current Farm Bill. This needs to be daily reporting and expanded to include more products reported and more plants reporting.
- **3) Eliminate the Dairy Product Price Support Program (DPPSP).** This will help encourage product innovation and market development. But DPAC opposes government-mandated supply control as a replacement for the DPPSP because that would, among other things, still keep the U.S. in the position of balancing world supplies when we should be a leader in supplying the world.
 - A portion of the dollars saved by eliminating the DPPSP would be directed toward underwriting LGM Dairy or another type of voluntary margin insurance tool for producers.
 - A dairy processing equipment loan fund would also help processors and milk cooperatives (particularly powder plants) adapt to the elimination of DPPSP and would spur the making of products for the markets, not for government storage.
- **4) Implement a voluntary 'market adjustment tool': The Market Cow Bonus Program.** This is a common sense compromise developed in an effort to unify dairymen on both sides of the "supply management" debate. In short: All dairy farmers would pay into the fund with a 10-cent per hundredweight assessment and all dairy farmers would have the opportunity to receive bonuses from the fund during a milk price downturn by culling additional cows from their herds above a uniform culling rate. This sends a signal for voluntary market adjustment that leaves the business decisions at the farm level instead of these decisions being controlled and taxed by the government. Essentially it puts producer dollars back in the pockets of producers when they most need it instead of taxing them when they can least afford it.
- **5) Review and/or modify the MILC Program to meet federal budget constraints.** MILC can certainly be improved, and will, on its own, diminish in the amount of federal dollars used, due to the growth in average herd sizes and the payment caps that are in place. A transition toward underwriting margin-based voluntary tools is certainly worthy of consideration as all size farms can use such tools. However, DPAC opposes the nationalized margin insurance plan some have proposed because it is obviously too expensive to stand on its own without taxing farmers through supply control programs to pay for it.