

DPAC Update

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Special for Farmshine

EPHRATA, Pa. — Work continues toward putting Cornerstones for Change (CFC) into legislative language as a discussion draft for dairy policy reform. The Dairy Policy Action Coalition (DPAC) has a grassroots network of dairy farmers from more than 20 states, which has resulted in opportunities to discuss CFC policy with legislative aides and senior professional staff from the offices of many key lawmakers in both the U.S. House and Senate.

The word is spreading that dairy farmers have an alternative. In the past three weeks since DPAC conducted a dairy policy briefing for congressional aides in Washington, the Coalition has been invited to meet with additional dairy groups in the Northeast and Midwest to share CFC details.

All that is needed is the continued support of a growing number of farmers through donations to the cause (Pledge-A-Penny) and through brief notes or calls to Senators and Representatives in Congress just to let them know there's an alternative for Farm Bill dairy policy: Cornerstones for Change (CFC).

DPAC's CFC equips U.S. dairy farmers to supply the global markets of the 21st Century and positions them for the opportunity to be profitable.

The suggested policy reforms share price risk across the sectors of the industry; reduce the industry's dependence on government subsidies; simplify the milk pricing system and bring transparency to the dairy 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 farmers in rural communities throughout various milksheds and the consumer's interest in local food.

The key summary points of CFC are:

1) Develop a simpler and more transparent pricing system based on two classes of milk: Fluid and Manufacturing. Competitive pricing and minimum component values are important elements. The purpose is to achieve the highest value for a better return to producers. A study group and hearings will be important because this is a complex issue and we need to get it right.

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 2007-08 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 eliminat-

ing the DPPSP would be directed toward underwriting LGM Dairy or another type of voluntary margin insurance tool for producers that allows individual margin protection. A dairy processing equipment loan fund would also help processors and milk cooperatives adapt to the elimination of DPPSP to spur the making of products for markets, not government storage.

4) Review/modify MILC to meet federal budget constraints. MILC can be improved. A transition toward underwriting margin-based voluntary margin tools is certainly worthy of consideration because 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.

5) Implement a voluntary 'market adjustment tool': The Market Cow Bonus Program (MCBP). This is a common sense compromise to unify dairymen on both sides of the supply management debate.

In short: MCBP is designed to encourage additional culling when margins are low, thus reducing milk supplies more quickly than

would otherwise occur. **It is designed to put producer dollars back into producers' pockets when they need it most instead of taxing them when they can least afford it.**

The MCBP would be funded by an assessment (no more than 10 cents per cwt) on all milk marketed in the U.S. These funds would be used to pay a \$500 per head bonus (above beef price) for cows culled above a "uniform base culling rate" when the Class I "mover" or manufacturing price declines for two consecutive months, or declines sharply in one month.

When the trigger condition is met, MCBP triggers the Monday after the Friday price announcement and continues for the next 30 days or until the price advances. During that time, the bonus is paid on lactating animals that are culled in excess of a uniform base culling rate.

For example, a farm producing one million pounds of milk in the month prior to the trigger condition being met would be eligible to receive a \$500 bonus for every cow culled above 10 cows during the next month. Thus the bonus for this size farm begins with the 11th cow culled during the trigger month from that herd.

A farm producing 100,000 lbs of milk in the month prior to the trigger condition being met would be eligible to receive a \$500 bonus for cows culled above one cow during the next month. Thus, the bonus starts with the 2nd cow culled during the trigger month from that herd.

Farms that ship less than 100,000 pounds of milk monthly, are eligible for the \$500 bonus starting with the first cow they cull for beef during a trigger month.

Economic analysis shows a modest effect as a market adjustment tool, without restrictive mandatory supply control. MCBP does not limit export growth as much as other proposals. Dr. Charles Nicholson's analysis showed MCBP would increase net farm operating income for all farm sizes compared to doing nothing and compared to other programs that were analyzed. Visit www.dpac.net to learn more, and look for more on each piece of CFC in future editions of Farmshine.

Producers are responding to **DPAC's Pledge-A-Penny** (per cwt) campaign.

A **Pledge-A-Penny** form appeared in the July 22 Farmshine.

For assistance in completing a milk assignment form with a dairy plant or milk marketing cooperatives, or to receive a **Pledge-A-Penny** form and other information about DPAC, call **800.422.8335 and ask for DPAC** or email **bernie.dpac@gmail.com**.



Donations payable to:

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