

DPAC meets with House Subcommittee Chairman Rooney

'What we need is a functioning market'

By SHERRY BUNTING
Special for Farmshine

WASHINGTON, D.C.—While the Foundation for the Future (FFTF) proposal, put forward by National Milk Producers Federation (NMPF), has been on the fast track this month enroute to Capitol Hill, the Dairy Policy Action Coalition (DPAC)—a nationwide farmer-led grassroots voice on dairy policy—learned Tuesday that no member of Congress has “bought in” to a particular dairy proposal, yet.

During a meeting in Washington with House Livestock, Dairy and Poultry Subcommittee Chairman Tom Rooney (R-Fla.), DPAC became part of the process. “You are the first people I’ve met with on dairy policy,” said Rooney. “We can create an opportunity and environment for you to be part of this.”

DPAC also learned that members of the House Ag Committee are “keeping their minds and doors open” and are hearing the plans as the dairy industry develops consensus, according to John Goldberg, senior professional staff member of the Committee for the past 17 years. In this role, he has served as an advisor to House Ag Committee chairmen since the mid 1990s, and today, that means he is a key dairy staffer for Chairman Frank Lucas (R-Okla.).

The DPAC contingent in Washington on January 25 consisted of five dairy producers—Rob Barley and Daniel Brandt from Pennsylvania, Ben Shelton from North Carolina, Dave Forgey from Indiana and Joe Borgerding from Minnesota—along with dairy equipment supplier Amos Stoltzfoos, DPAC’s treasurer Bernie Morrissey and the coalition’s secretary.

The morning began with a visit to Congressman Joe Pitts (R-Pa.) who chairs the Health Subcommittee. Congressman Pitts and legislative assistant Ben Stoltzfoos had at-

tended the pasture meeting of 500 farmers in Lancaster County, Pa. in August 2009, which was one of several meetings that later led to the formation of DPAC.

Driving and flying-in for the one-hour meeting, the Coalition greatly appreciated Chairman Rooney taking time on a busy day to hear from dairy farmers on dairy policy.

“The good news is, I’m sort of a clean slate when it comes to dialog on dairy,” said Rooney. “Anything is on the table.”

DPAC vice-chair Rob Barley, a dairy producer from Lancaster County, Pennsylvania stressed that, “Our (DPAC’s) focus is different from National Milk’s. We understand their plan and are in agreement with some of the pieces, but our focus is on market transparency, a simplified pricing system, and improving the price discovery process. We want to peel back the layers, not put more layers onto it. Until we have fundamental change in price discovery, we’re not interested in a centralized government-mandated supply management plan. We don’t think a one-size-fits-all program—even though it may make you feel better—is the best thing for us.”

“We don’t have a functioning market that discovers the price of milk,” echoed DPAC board member and Southeast Dairy Coalition chair Ben Shelton, a dairy producer and veterinarian from Iredell County, North Carolina.

While NMPF’s Foundation for the Future focuses on margin insurance coupled to a national margin-triggered supply management plan, “producers are most concerned about having functional markets and tools we can use,” said Barley. “The piece of Foundation for the Future (Order reform) that we are



DPAC Update

Congressman Tom Rooney (R-Fla.), center, who chairs the House Subcommittee on Livestock, Dairy, and Poultry, met with DPAC producers Rob Barley (Pa.), Daniel Brandt (Pa.), Ben Shelton (N.C.), Dave Forgey (Ind.), and Joe Borgerding (Minn.) Tuesday to talk about dairy policy. Also at the table were House Ag Committee dairy expert John Goldberg, aide to Chairman Frank Lucas (R-Okla.), along with Ben Stoltzfoos, ag staffer for Congressman Joe Pitts (R-Pa.), who chairs the Health Subcommittee under Energy and Commerce. DPAC’s “working draft”—Cornerstones for Change: A preliminary report about U.S. dairy policy and the global realities of the 21st century—is posted under Updates at www.dpac.net, or call 800.422.8335 to request a copy.

most interested in is missing, and we’re being told daily reporting and price discovery must wait.”

“Daily electronic reporting is already authorized in Section 1510 of the current Farm Bill but not implemented. That’s the transparency piece,” added DPAC vice-chair Daniel Brandt, a dairy producer from Lebanon County, Pennsylvania. “Our price is figured off the CME, which sells a tiny fraction of surplus products. There’s a make allowance and advantage to pile more into that surplus and drive down the cost of milk for every other product moving out there. It’s no wonder the farmer’s share of the consumer’s dairy dollar has gone from 42% to 27%.”

“The quarterly auditing of price and volume reports is the other part of Section 1510,” said Shelton. “It’s important because producers distrust this system.”

Goldberg noted that stepped-up reporting and auditing would cost \$2 to \$3 million a year, and USDA’s budget is tight. “AMS is a fee-based agency. That \$3 million has to come from somewhere,” he said.

“Even if it’s one or two cents per hundred-weight,” Shelton figured high as it would be

less than a penny per cwt., “I think we could take it off our milk checks to have that accountability on price, volume and inventory.”

By comparison, misreported powder prices in 2007 cost dairymen \$50 million (\$0.05/cwt over six months). And, a government-mandated supply penalty under the Foundation for the Future proposal, if triggered at a \$6 margin for nonpayment on 2% of base production, would be equivalent to losing \$0.12/cwt across the total base production.

DPAC is not alone in putting a high priority on market transparency through daily reporting with more plants and more products; and improved price discovery through a two-class competitive system. American Farm Bureau adopted similar resolutions Jan. 14 in Atlanta.

Elimination of the Dairy Product Price Support Program also has near-universal agreement. Along with price reforms, this would position the U.S. to become a consistent supplier of products the domestic and world markets want. “The U.S. has not developed these products. We are lagging behind,” said DPAC board member Dave Forgey, a dairy producer from Cass County, Indiana. **This report will continue in next week’s Farmshine.**

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DPAC Update Part II

Dairymen have productive meeting with Chairman Rooney

This is the second part of a two-part story about DPAC’s meeting on future dairy policy in the Nation’s Capitol on January 25, 2011.

By SHERRY BUNTING
Special for Farmshine

WASHINGTON, D.C.—Traveling to the Nation’s Capitol from Pennsylvania, North Carolina, Indiana and Minnesota, dairy producer board members and ad hoc members of the Dairy Policy Action Coalition (DPAC) met with House Livestock, Dairy and Poultry Subcommittee Chairman Tom Rooney (R-Florida) on future dairy policy for the upcoming Farm Bill.

A positive outcome of the January 25 meeting was that Chairman Rooney indicated he and his Subcommittee are an “open book” and willing to bring DPAC into the process.

Unity is the word of the day for the dairy industry to chart a future course for profitability, and DPAC’s key message was that rank-and-file dairy farmers are united in recognizing the need to have functioning, transparent markets, a better dairy price discovery process, and future dairy policies that foster competition and innovation and position the U.S. dairy industry as a consistent supplier on the world market.

“I’m hearing good things about dairy,” said Chairman Rooney. “If we are anywhere close to having consensus, we should seize on the opportunity.”

He indicated that this could be the year to seize an opportunity for positive change, and he would like to be the chairman to do it. He also said he is learning as he goes and does not have a predisposition for any one way.

DPAC ad hoc member Joe Borgerding, a dairy producer from Belgrade, Minnesota explained that, “We now have the ability to move milk anywhere in the country. Instead of continuing to patch and re-patch the broken system we have; what if we put our effort into designing a new system for the 21st Century?”

“We need a pricing system for fresh (or fluid) products and manufactured products for export. We need a two-class system, not a four-class system,” added Dave Forgey, a DPAC board member and dairy producer from Logansport, Indiana. “No other U.S. agricultural commodity still has these constraints when dealing with global markets. The U.S. lags behind other nations, like New Zealand, when it comes to making – and marketing – products that foreign – and domestic



Congressman Tom Rooney (R-Fla.), right, who chairs the House Subcommittee on Livestock, Dairy, and Poultry, talks with DPAC vice-chair Rob Barley, a dairy producer from Conestoga, Pa., after the meeting in Washington, D.C. Tuesday, January 25. Pictured on this week’s Farmshine Cover is the DPAC contingent who traveled to Washington included board members Barley and Daniel Brandt, a dairy producer from Anville, Pa.; Dr. Ben Shelton, a dairy producer and veterinarian from Olin, N.C., who also serves as chairman of the Southeast Dairy Coalition affiliated with DPAC; Dave Forgey, a dairy producer from Logansport, Ind.; and ad hoc member Joe Borgerding, a dairy producer from Belgrade, Minn. Also attending the meetings were Bernie Morrissey, DPAC treasurer and volunteer supporter; Sherry Bunting, DPAC correspondence secretary, and DPAC contributor Amos Stoltzfoos, who has a milking equipment company based in Gordonville, Pa.

– buyers want. This is in part due to the longstanding policy of product price supports and make allowances. It is also due, in part, to the lack of incentive for processors to innovate and make products (type and quality) that the market wants.”

DPAC told the Chairman they applaud National Milk Producers Federation (NMPF) for recognizing this and for including the elimination of the price support program within its Foundation for the Future proposal. Most people recognize the current support program does not work well today as a safety net for dairy farmers, and it stands in the way of future product and market development.

“We must understand that current dairy pricing policies date back to the time when global marketing was not an issue,” Forgey stressed. “The continual process of patching

and re-patching the dairy pricing system is not a satisfactory solution. The dairy industry needs a milk pricing system that reflects the global realities of the 21st Century.”

In addition to providing marketing opportunities, this is also a way to increase the domestic competitiveness of the U.S. dairy industry as a deterrent to imports that otherwise further reduce U.S. market share, the dairymen said.

DPAC is meeting with producers and producer groups throughout the U.S. and is working as a coalition to build consensus for positive change.

House Ag Committee dairy expert John Goldberg noted that the national margin insurance program being proposed by NMPF’s FFTF “looks positive in reducing volatility, and it is size-neutral and scalable, so the government subsidy can be leveled up or down based on funds available.”

But, as DPAC pointed out, this proposal would replace the current safety nets with a government-run national margin-triggered insurance, coupled with national margin-triggered supply management plan. Both would be based on a national milk price and a national feed cost. While it was modeled by economists to show a positive impact on volatility, the impact on net farm income over six years was shown to be quite small. DPAC noted that milk marketing is global, national, and regional so a national one-size-fits-all answer to supply and demand “imbalances,” would create new issues and still not solve the core problem.

“What we as dairy producers really need are tools, not a national insurance program. We already have LGM Dairy. That’s a margin protection tool that’s already available to dairy farmers. But for those tools to continually work, we need a functioning market and good price discovery,” said Forgey. “National insurance is not a solution to our issues with pricing and marketing.”

One of DPAC’s key points is that future dairy policies must address extreme erosion of the farmer’s share of the consumer’s dairy dollar. This shows the money is in the marketplace, and a core problem is returning value back to the farm-gate.

For more information and to read and comment on DPAC’s cornerstones for change “working draft,” visit www.dpac.net. For a mailed copy call 1.800.422.8335 and ask for Bernie or Paige or email agrite@ptd.net.