

Panel covers bases on various dairy proposals

By SHERRY BUNTING
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MADISON, Wis. -- Many things are different in the dairy policy discussion today. For starters, the industry is looking at a “permanent program,” noted Dr. Mark Stephenson of the University of Wisconsin as he set the stage for the milk pricing panel discussion at the annual Dairy Policy Summit hosted last week by the Professional Dairy Producers of Wisconsin (PDPW) and attended by 80 in Madison.

The Dairy Security Act -- introduced by Congressman Collin Peterson (D-Minn.) and containing National Milk’s Foundation for the Future -- is structured to be a permanent program: It would remain in place unless changed. Past programs have always been temporary and must be renewed and debated every five years with the Farm Bill.

Stephenson gave a background of current policy, pointing out how today’s Dairy Product Price Support Program in one sense does too little, and in another sense has done too much.

He noted that, “Policy doesn’t determine the end result but it provides a pathway.” For example, past policies have focused on supply correction with temporary quotas or herd buyouts and some have focused on self-help.

The fact that a permanent supply management program is now being considered makes the discussion one that producers and the industry are beginning to give more attention, even as it looks like dairy will be part of a back-room Farm Bill hammered out in short order for the Joint Select Committee on Deficit Reduction (Super Committee) this month.

Representing National Milk Producers Federation (NMPF), Jaime Castaneda said the discussion started in 2009, when NMPF charted a new direction for the Farm Bill.

“We can’t chase prices anymore,” he said. “We need to look at margins; that’s what matters to farmers.”

NMPF’s Foundation for the Future as written into the Peterson Dairy Security Act and in Sen. Richard Lugar’s (R-Ind.) REFRESH Act (S. 1658), replaces current dairy price supports MILC with a Dairy Producer Margin Protection Program (DPMPP).



(Above from left) are panelists Jaime Castaneda (NMPF), Robin Berg (NDPO), Alan Kozak (DPAC), and moderator Dr. Mark Stephenson, University of Wisconsin-Madison. Photo by JoDee Sattler

The DPMPP is voluntary. All producers are eligible, said Castaneda, and they can determine the protection level they want. It is designed for producers to “insure a margin” by protecting a percentage of their production history through a basic (free) level and a supplemental (purchased) level of protection for which the producer makes annual premium payments at fixed rates.

The DPMPP rates will not increase and the margin is different from LGM-Dairy. The margins are defined as the NASS all-milk price minus total feed cost per cwt. (including feed for dry cows and youngstock).

The DPMPP is then linked to a Dairy Market Stabilization Program (DMSP). All producers who sign up for the DPMPP agree to be regulated by the DMSP.

“I am confident this (supply management) program won’t hinder exports,” Castaneda asserted. “But the Dairy Product Price Support Program is damaging to exports.”

NMPF will take its federal milk marketing order (FMMO) changes to a hearing process instead of the dairy legislation. During the summer listening sessions, NMPF discovered the FMMOs are very controversial.

Wisconsin dairy producer and president of the Dairy Pricing Association, Robin Berg, represented National Dairy Producers Organization (NDPO), a group that formed a year ago in November 2010. He talked about four amendments NDPO sent to Rep. Peterson and cosponsors of NMPF’s Dairy Security Act.

First, NDPO asked that the margin be established to trigger when it is equal to the USDA-

announced national average feed cost so the DMSP would trigger as soon as the margin falls below the national average feed cost.

“A simple, yet effective, strategy to keep the supply of milk balanced with profitable demand could be to immediately notify all dairy producers that the price is below the national average feed cost,” Berg explained. “The DMSP would activate and remain in effect until the margin again exceeds the national average feed cost.”

NDPO also seeks limitations and regulation of imported dairy products and ingredients to be sure the production cuts made by U.S. producers are not back-filled by imports.

He also noted that NMPF’s proposed changes to the federal milk marketing orders has very little support, and NDPO agrees these changes should be kept out of the legislation.

NDPO has a separate plan also. One item is to add a fifth class for milk farmers sell above their production history base, at the world price. A producer-funded-and-operated charitable food program is also part of NDPO’s more comprehensive national milk supply management program, which would trigger production cuts according to product inventory levels.

Ohio dairy producer Alan Kozak represented the Dairy Policy Action Coalition (DPAC), a group that formed two years ago in November of 2009. It is funded by donations, including a voluntary penny per hundredweight campaign.

The group started by looking at areas of the system that appear to be “broken,” and by focusing on the market transparency and price discovery aspects of dairy policy, including things that

were never implemented in the last Farm Bill. Kozak said diversity of farm size is critical to rural jobs and the dairy infrastructure.

He also had a graph showing the U.S. has had no milk surplus since 1995, except for one month in 2010. Kozak quoted from an Order 30 Market Administrator’s bulletin, showing a surplus exists in the Western-most time zone versus a milk-deficit in the East and Midwest.

Many parts of DPAC’s Cornerstones for Change are contained in Sen. Bob Casey’s (D-Pa.) Dairy Advancement Act (S. 1682). It eliminates the Dairy Product Price Support Program, but does not replace it with a permanent supply management program.

“The U.S. needs to be a world market leader – not a world market balancer,” said Kozak, explaining that world dairy demand grew 1.5% in 2009, but the U.S. walked away from the market and built inventory. The Dairy Advancement Act includes a processing equipment loan fund to stimulate entrepreneurial investment to make new products and develop new markets.

Improved market transparency through more frequent and complete reporting and a simplified milk pricing system are two hallmarks of the Dairy Advancement Act.

In short, DPAC opposes government supply controls, citing the negative impact on global market development. “It sends the wrong signal to the world and puts more risk on farmers,” said Kozak. “I think some of the analysis of the Dairy Security Act shows that.”

The Dairy Advancement Act keeps MILC, capped at 2.4 mil. lbs., but producers can give up the MILC to be eligible for a subsidized premium to use LGM-Dairy to insure margins on up to 3 mil. lbs. LGM-Dairy could be purchased at their own expense on additional pounds.

PFB delegates speak out

Pennsylvania Farm Bureau delegates met this week, and a delegate reported that on second reading, they kept the “temporary” supply management language in their policy recommendations in order to explore options; however, by a “crushing voice vote,” delegates showed opposition to NMPF’s Foundation for the Future (Dairy Security Act). Stay tuned.