




A coalition of grassroots dairy producers actively participating, with a unified voice, on policies and issues affecting milk pricing.





A little about our dairy & my part in DPAC:




CLOVER PATCH DAIRY

- Holmes County, OH
- Sharon and I started in 1991
- 900 Reg. Jerseys -- 450 milking
- Avg: 55 lb 4.7 f 3.7 protein
- Top 30% of breed for genetic merit
- Virtual Tour at 2010 WDE




MY INVOLVEMENT WITH DPAC:



- One of 20 charter board members
- Second term director
- Chair Stand. & Regs Action Group
- Recently voted to support NAJ legislative effort to raise minimum solids standards of fluid milk



WHAT IS DPAC?
Dairy Policy Action Coalition (DPAC) formed **Nov. 19, 2009**


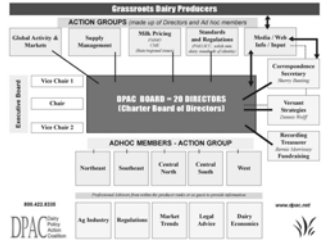


as an outgrowth of town hall meetings across PA & in OH, attended by hundreds of farmers and their federal and state lawmakers in 2009. Spread to other states through 2010.





WHO IS DPAC?


- Board:** 100% active dairy producers who *have cows and sell the milk produced from them.*
- 20 Charter Board Members identified key bullets.**
 - Market Transparency / Price Discovery
 - Market Power (Farm to retail margin / competition)
 - Exports / Imports
- 2011 Board:** PA, OH, NY, NC, TN, IN, WI
- Ad hoc members also serve on action groups** from additional states, including **MN, MI** and **12 SE States**, which formed their own Southeast Dairy Coalition (SEDC) and collaborate with DPAC on national dairy policy.
- Incorporated as nonprofit 501c5 "without membership."
 - 501c5 allows paying a professional lobbyist.
 - All active dairy producers are the membership.
 - Funded by donations, not dues.

- DPAC board:** Dairymen with herd sizes ranging from 30 cows to 2000
- Transparency:** Detailed Minutes and Activities posted at www.DPAC.net
- Grassroots input from around the country
- Work is done in Action Groups



Cornerstones for Change




MISSION:
Equip dairy producers to supply the global markets of the 21st century and position them for the opportunity to be profitable.

DPAC Dairy Policy Action Coalition

DPAC Board Resolution, Feb. 2011:

- *“As a grassroots coalition of dairy producers, DPAC cannot endorse National Milk Producers Federation’s Foundation for the Future (FFTF) based on the information available at this time. We are working on an alternative plan.”*

 **DPAC’s plan is Cornerstones for Change (CFC)**

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Cornerstones for Change

A fundamental question:

Will the U.S. continue to be the balancer of the world supply or a leader in supplying the world?





 **DPAC seeks policies that position the U.S. to be a leader, not a balancer.**

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Cornerstones for Change

- ❑ **Eliminate Dairy Product Price Support Program**
 - ❑ Portion of savings to underwrite LGM-Dairy or other voluntary margin insurance for producers.
 - ❑ Processing equipment loan fund would help processors & cooperatives adapt; and spur the making of products for markets, not gov. storage.
- ❑ **VOLUNTARY ‘Market adjustment’ tool**
 - ❑ **DPAC opposes mandatory supply control** because it
 - ❑ Adds another layer of gov. control on top of the broken system.
 - ❑ Affects global market development & product innovation.
 - ❑ Sends signal to world that U.S. farmers will cut back or face tax.
 - ❑ **Voluntary tool puts producer dollars in producer pockets** when they most need it instead of taxing them when they can least afford it.
 - ❑ Business decisions in hands of individuals, not government.






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Cornerstones for Change

- ❑ **COMPROMISE: Market Cow Bonus Program**
 - ❑ **Assess 10 cents/cwt** - Everyone pays in; everyone has opportunity to get bonuses for aggressive culling during a downturn.
 - ❑ **Pay \$500/head (above beef price) for voluntarily culling more cows** when milk price declines (Nicholson Analysis positive for NFOI 2012-18)
 - ❑ Bonus paid on **cows culled above uniform base rate** (base = 1 cow per month per 100,000 lbs of milk shipped per month).
 - ❑ **EXAMPLE:** Farm markets 1 mil lbs milk in month prior to trigger; Eligible for \$500/head premium for each cow culled above uniform base rate of 10 cows.
 - ❑ **Incentive to adjust to market / supports equity** in remaining cows.
 - ❑ **Plus Management Tool:** Producer can cull lactating animals for any reason: **Bonus not linked to health conditions** (safeguard beef image from bad press.)
 - ❑ **Trend Trigger:** Begins Mon after Fri of announced price that is lower for 2nd straight month (or 1st month if severe). Runs 30 days or til price increase




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Cornerstones for Change

A fundamental belief:

It is better to improve current policy than to add another layer of government control on top of the broken system.


CFC contains solutions that empower producers, not centralized, one-size-fits-all programs.

 **DPAC views dairy markets as global, national and also regional.**

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Cornerstones for Change

- ❑ **Develop simpler & more transparent pricing system based on two classes of milk: Fluid / Manufacturing**
 - ❑ **Current system is too complex and volatile**
 - ❑ DPAC is working with other organizations & experts to determine best process to get there. Will require study and collaboration.
 - ❑ **Considerations:**
 - ❑ Competitive pricing.
 - ❑ Uniform minimum component value for one manufacturing class.
 - ❑ **Purpose:**
 - ❑ Move milk more quickly between uses to higher value.
 - ❑ Encourage new product and market development.
 - ❑ More value from market-based manufacturing decisions.
 - ❑ Addresses concerns about government-set “make allowances”



Cornerstones for Change

- Improve reporting for timeliness & transparency**
 - Daily electronic reporting of product prices and volumes (Section 1510 of current Farm Bill).
 - Report price and sales volumes on more products (i.e. mozzarella / yogurt).
 - Require more plants to report (expand list).
- Considerations:**
 - Cost is minimal – equates to 0.002 cents / cwt.
 - Provides more information on more products at 21st Century speed.
- Purpose:**
 - Dilute influence of thinly-traded CME spot market.
 - More functional market.
 - Improve timeliness of and confidence in market reports.



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Cornerstones for Change

Move toward less dependence on government subsidies / control.

- Work with other groups (DIAC?) interested in modifying MILC to meet budget constraints:**
 - MILC expenditures declining anyway because of larger average herd size, nationally.
 - Create more equitable safety net.
 - Acknowledge reasons MILC was established.
 - Transition to individualized voluntary tools to manage risk.
 - Value from marketplace / price discovery / competition.



IN SUMMARY:

Cornerstones for Change is policy reform that focuses on the mission to equip dairy producers to supply the global markets of the 21st century and position them for the opportunity to be profitable.

The question is: Will we continue to be the balancer of the world supply or a leader in supplying the world?

As American dairy producers, decisions today determine our future tomorrow.



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For more Information



- **The Dairy Policy Action Coalition (DPAC)**
 - www.DPAC.net
 - 890 N. Reading Rd., Ephrata, PA 17522
 - 800.422.8335 (Ask for DPAC)
 - Correspondence Secretary: Sherry Bunting agrite@ptd.net
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