

DPAC Update

Another step forward for Cornerstones for Change

By SHERRY BUNTING
Special for Farmshine

EPHRATA, Pa. — The Dairy Policy Action Coalition (DPAC) board met by conference call last Tuesday, June 21 to finalize the last piece of its Cornerstones for Change draft bill policy outline after having worked on the Cornerstones framework since March of 2010, and in earnest on the Federal Order reform piece since March of 2011.

From the beginning, DPAC's main objectives — as identified at the first organizational meeting in November 2009 — were to influence policy makers to achieve a more transparent and simpler milk pricing system.

A big chunk of time was devoted to lobbying Congress to follow through with the daily electronic reporting it had already authorized in the last Farm Bill, and to work for a reporting system that includes more products reported and more plants reporting. The purpose of this effort has been to diminish the influence of the volatile and thinly-traded spot CME cheese market on the calculations that determine farm milk price.

Instead, Congress added electronic reporting to the already weekly price reporting by NASS and converted it to the AMS office, which handles electronic reporting in the livestock and meat sector. The current rulemaking — for now — will not add any additional products to the reporting, and it will not make the reporting more frequent (daily).

But one improvement on timeliness is the fact that the new electronic reporting — though weekly — will yield a report USDA will compile and release on Wednesdays instead of Fridays for the previous week's Monday through Saturday sales.

Part of DPAC's original call for "simpler and more transparent" included a move to fewer classes of milk and the inclusion of competitive pricing instead of formula-pricing that currently using 'set' make allowances. This has

been a topic at meetings throughout the Northeast, Southeast, and Midwest over the past year, as well as some dialog with producers and producer organizations in the West.

National Milk Producers Federation's (NMPF) Foundation for the Future (FFTF) includes Federal Order Reform for what they are calling a two-class milk pricing system, but four classes would still be used in the pricing calculations and, if anything, the FFTF proposal makes milk pricing even more complex.

In March, members of the DPAC board met with the members of the Southeast Dairy Coalition (SEDC) board in Greensboro, North Carolina, to work on a Cornerstones for Change draft bill outline. Early drafts, as the process unfolded, have been published and posted at DPAC's website. Much discussion has been generated from producers, industry and academia.

A meeting in Milwaukee in April allowed DPAC and SEDC to further explore how a true two-class milk pricing system could function and what the impacts would be for various regions. Three noted economic and milk marketing experts were part of a panel in Milwaukee, and DPAC has referred to work written by Bob Cropp, University of Wisconsin professor emeritus.

DPAC also hopes to raise the necessary funds to have economists Mark Stephenson and Chuck Nicholson do economic modeling and analysis of two-class pricing, and much discussion surrounds the role of minimum component values — as well as competitive surveys — in a two-class system.

The purpose of all this work is to be sure producers get not only a system that is transparent and simpler, but also better than what we have today.

At the June 21 DPAC board meeting, and throughout the following week by email and fax voting procedures, DPAC directors approved two major action items.

The board approved action to move forward

with DPAC's legislative outline and adopt the following position on Federal Order Price Reform:

"To develop a simpler and more transparent system by establishing two milk classes: Fluid and Manufacturing."

The second action item approved by the board was to send a letter of support for National All-Jersey's (NAJ) legislative effort to require higher minimum nonfat solids standards for fluid milk to meet the current California standards.

Several ad hoc members from different regions of the country also gave their "vote of confidence" to the two action items, which were high on the minds of dairy farmers at meetings throughout the past year.

Members of the Southeast Dairy Coalition (SEDC) have expressed concerns about a two-class pricing system. SEDC is included in the discussion as DPAC moves forward to work with organizations that favor a milk pricing system that is simpler, more transparent and based on two classes of milk. This is the beginning of a process, not the end of a process.

DPAC board members also indicated that component values are very important in this discussion, as is the role of world markets and exports.

The items below should be familiar to anyone who has been reading and keeping up with DPAC's work over the past year and a half. A more defined copy of the Cornerstones for Change will be posted at www.dpac.net and is available by calling DPAC at 800-422-8335.

Stepped up fundraising efforts are also forthcoming, so watch *Farmshine* and your mailbox for information on how producers can keep the movement going.

In a nutshell, DPAC puts forward these items in its Cornerstones for Change policy outline:

1. Develop a simpler and more transparent system by establishing two milk classes; Fluid and Manufacturing.
2. Eliminate the Dairy Price Support Pro-



gram and use that money to underwrite LGM dairy insurance or another type of voluntary margin insurance.

3. Continue to strengthen reporting language and implementation of existing language (more frequent reporting, more products reported, more plants reporting).

4. Establish a producer-funded Market Cow Bonus Program as a voluntary market adjustment tool that producers can benefit from in a price downturn, while providing an alternative to mandatory production-history-based supply management controls.

5. Establish a dairy processing equipment loan fund to help processors and cooperatives adapt to these changes (specifically powder plants that will be affected in a negative way).

6. Evaluate and/or improve the MILC program similar to the suggestions of the Dairy Industry Advisory Committee's (DIAC)'s item #11.

DPAC wishes to thank all the grassroots dairy farmers out there who have called for materials and who have met with their members of Congress to talk about the key principles of producer-focused changes to current dairy policy that position the U.S. dairy industry for the global realities of the 21st Century.

Look for more details on Cornerstones for Change and how producers can help in the next edition of *Farmshine*.

For more information, contact DPAC at 800-422-8335 or visit www.dpac.net. Donations should be sent to DPAC at 890 N. Reading Rd., Ephrata, PA 17522.