

DPAC Washington Update on daily electronic reporting – April 12, 2010

DPAC FOCUS:

- DPAC keeps a narrow focus on milk pricing, with market transparency through daily electronic reporting as the cornerstone.
 - **Funding for Section 1510 of the current Farm Bill**—Daily electronic reporting with quarterly auditing—is on the front burner and high heat! The authorization is already in the current Farm Bill, but has not yet been implemented.
 - **Sen. Specter (D-PA) and Rep Holden (vice chair of House Ag Committee) are writing the language for this in Ag Appropriations bill.**
 - **USDA finally gave a price tag to implement:** \$600,000 for startup cost (adapting software used for daily beef reporting so it can be used for daily reporting in the dairy industry). Then annual cost of \$1 to \$2 million to do the quarterly audits that ensure accuracy of the reporting. Very modest price tag.
 - **Next Farm Bill: DPAC supports expanding electronic reporting to cover more products** (beyond the cheddar, butter, nonfat dry milk and dry whey). This would mean adding products like yogurt, mozzarella, etc., which reflect the way the dairy market has changed in the past few decades. Fresh Italian cheeses are 40% of the cheese market but these prices are currently not reported.

SIGNIFICANCE OF ELECTRONIC REPORTING:

- DAILY-negotiated trades vs. weekly NASS Survey.
- Timely price information vs. 14 days old.
- Accuracy through quarterly auditing to avoid misreported prices like in 2006-07, when nonfat dry milk prices were misreported by a large seller for about 6 months. U.S. dairy farmers lost tens of millions of dollars with no provision for USDA to go back and make up the difference.
- Beef industry has been doing daily electronic reporting for several years.
- **Reducing CME influence:** DPAC sees daily electronic reporting as the first step to reducing the influence of the Chicago Mercantile Exchange (CME) spot surplus market, where less than 1% of cheese is sold.
- 2007 Government Accountability Office (GAO) reported the CME spot cheese market is vulnerable to manipulation because it is so thinly traded. Right now the large players on CME can move the market according to an individual agenda and there are examples of this within the past two years.
- **Daily Electronic Reporting (with quarterly auditing)** gives the dairy farmers more information about what is going on in the market on a daily basis.
- And once it's expanded to include more products, it will better reflect the value of 100 lbs of milk in the marketplace.

THE LATEST FROM D.C.:

- Just returned from Washington D.C. on April 8... DPAC needs a groundswell of support for funding section 1510 of the current Farm Bill.
- Regional groups will be asked to send letters to House and Senate Ag Appropriations Committee and copy their own legislators.