

DPAC Executive Board & Activities Report

April 16 through May 12, 2011

May 11, 2011 — Email Correspondence— Letter of request emailed to Mark Stephenson and Bob Cropp: DPAC requested if they could model and report on the price reform parameters for DPAC / SEDC alternative legislation. Mark Stephenson responded that he would talk with Chuck Nicholson as they work together on such projects, and that he would get back to the DPAC correspondence secretary with a time frame and cost for this project.

May 10, 2011 — Teleconference — DPAC / SEDC Draft Bill Working Group: Meeting by teleconference to tie up loose ends on the Market Cow Bonus Program for Final Analysis Report from Chuck Nicholson; Discussion of direction on milk pricing reform after Milwaukee Meeting 4/28. Please refer to Notes and Summary document of this teleconference, which was emailed or mailed to the DPAC and SEDC board and ad hoc members on May 14.

April 28, 2011 — Virginville, Pennsylvania — Virginville Grange Annual Legislative Banquet: Daniel Brandt, Nelson Troutman, Zach Meck, Bernie Morrissey and Sherry Bunting attended the Virginville Grange Legislative Banquet and had the opportunity to talk briefly with various state legislators, including Sen. Judy Schwank, who is ranking minority leader of the PA Senate Ag Committee, regarding Senate Bill 993. At the podium, the emcee posed a question about PA Senate Bill 993 during the legislative Q&A. She responded as follows:

"This is a bill that Sen. Mike Brubaker wants to introduce. It is complicated, and we all know there is nothing more complex than the milk pricing system. It is a bizantine system. There is a 25-cent (per gallon) over-order premium consumers pay. The problem is that some producers are receiving it and some are not. Primarily those producers who are in large cooperatives are the ones who are not getting the premium. Yes, it should go to the dairy farmers, but how to distribute the premium is the question. I am working with chairman Vogel on this issue. We want to look at the big picture. We need to learn more, and as we go forward, I will make a reasoned position based on science.

Sen. Schwank noted that a meeting is scheduled with Carl Herbein (a milk accountant who frequently testifies for the milk dealers). She also noted that she will be meeting with local dairy producers at Way-har Farms, Bernville, within the next few weeks. Zach Meck is involved in that meeting. It is either May 18 at 7:00 p.m. – Check with Zach Meck on the correct time.

After the annual legislative event, Sherry B. mentioned to Sen. Schwank that Mr. Herbein shared numbers at a PMMB hearing in February 2010 that showed the dealer/handlers paid out an amount of premiums, voluntarily, that totaled the same amount as PMMB's estimate of stranded premium under one scenario. But that those numbers were not an apples to apples comparison because the dealers' numbers included other voluntary premiums to arrive at the same total.

Sherry B. also mentioned the fact that there is an over-price premium ranging 50 cents per hundredweight figured into the minimum retail price for the purpose of encouraging processors to buy quality milk and pay voluntary quality premiums (as stated by DeSantis at that Feb 2010 hearing) and that the payment of voluntary premiums should not be considered as part of the over-order premium because the market can and should fund those separately.

Daniel Brandt added the point that the name brand milks sell very well above the state-minimum price (even at Walmart), which shows there is a market premium processors are able to collect over and above the state minimum retail price. He also noted that the over-order premium is intended, specifically, to help the dairy farmers and that all PA dairy farmers operate under the same inspection and the same economic conditions. It was mentioned that the only fair way to recover the stranded premium is to pull it out separately into a settlement fund.

April 28, 2011 — Milwaukee, Wisconsin — Dave Forgey (Ind.), Ken Wunderlin (Wis.), Cliff Hawbaker (Penn.), Alan Kozak (Ohio), Ben Shelton (N.C.), Everett Williams (Ga.) met in Milwaukee with expert panel Mark Stephenson, Bob Cropp and Calvin Covington to discuss new milk pricing system, and to gain a better understanding of NMPF's pricing proposal and the history of the current system. Denny Wolff facilitated the meeting and Sherry Bunting took notes. Summary and notes from this meeting were emailed or mailed to the full DPAC and SEDC boards and ad hoc members May 2, please refer to that for more information.

April 27, 2011 — Herkimer County, New York — Laura Covert and Deb Windecker and others attended a listening session with Senator Kirsten Gillibrand. Her staff was provided with DPAC information.

April 27, 2011 — Harrisburg, Pennsylvania — Denny Wolff reported on his meetings with Pennsylvania State Senators and/or legislative staff relating to PA Senate Bill 993.

April 22, 2011 — Email Correspondence with National Dairy Producers Org. — DPAC's Market Cow Bonus Program parameters and Chuck Nicholson's DRAFT analysis report were emailed to Bill Rowell, president of NDPO to share with his board. Subsequent email correspondence with Gary Genske of California RE the Market Cow Bonus Program.

OTHER NEWS

May 12, 2011 — JUST AN FYI! NDPO is preparing to introduce a bill: Sherry Bunting listened on the May 12 NDPO regional call (recorded) and reports NDPO has two committees working on legislation. One committee is geared toward improving NMPF's Foundation for the Future (FFTF) and the other committee is writing a different bill, which is on its 7th draft as of May 12 and had not yet been approved by the NDPO board.

Gary Genske (accountant based in California with part ownership of two dairies in New Mexico and one in Virginia) will be in Washington D.C. May 19 and 20 lobbying this bill and it is expected to be released publicly at NMPF's National Dairy Producers Conference in Omaha, Nebraska on May 16th as NDPO Chairman Bill Rowell, of Vermont, is on the "What producers expect" panel at that national conference in Nebraska. Others on that panel are Geoffrey Vandenneuval (Milk Producers Council, California), Hank Van Excel (Holstein USA, Pacific Northwest producer), and Bob Naerabout (Idaho Dairymens Association which recently voted to support FFTF).

The four parts of the NDPO bill (as described by Genske on May 12) are as follows:

I. Federal Order Reform

- A) Establish a new pay price discovery based on cost of production.
- B) Establish production history base to protect all existing licensed dairy operations.
- C) Provide for new producer entry and expansion of existing dairy operations by creating a new "Class V" for milk produced by new producers and "new" expansion milk produced by existing producers. Class V would be priced at the "world market price for export."

II. Supply Management for milk used in production of butter, cheese, powder:

- A) Set a profitable national inventory level for butter, cheese, powder.
- B) Milk used ONLY in Class I would be exempt.
- C) Send ample notice to all producers of impending milk price decline based on rising inventory levels above the profitable maximum inventory.
- D) Have a producer controlled board spend (producer?) money to buy product out of inventory and give to humanitarian aid.

III. Milk Quality Improvement –

- A) Improve milk standards for what cows naturally produce: 8.7 solids and 3.5 fat.
- B) Reduce SCC to 400,000
- C) Producers must be provided a payment/incentive to provide that better quality milk.

IV. Imported milk products:

- A) Tariffs on all dairy ingredients (MPC, etc).
- B) Cap all imported milk and components at current levels; Direct the Ag Secretary to limit future imports to 2010 level and no more.
- C) Improve the milk quality standards for imported milk products.

Sherry's Thoughts on the NDPO outline: *The above bill outline by NDPO will likely involve an assessment of 25 cents or more (according to one source) to fund the product purchases for humanitarian aid, and several portions would run into challenges with WTO. The production history base would have value, but NDPO said it would take steps to keep it from inflating like in Canada. The separate Export Class for "new milk" is patterned off the Canadian system, but they import to make products specifically for export and so their export class requires special permits and bypasses the domestic milk production system completely.*

UPCOMING DPAC & OTHER EVENTS:

May 16 – phone conference – Family Dairies (Madison, Wis.) interested in having better understanding of DPAC’s milk pricing system ideas / parameters.

May 18 – 7:00 p.m. Bernville, PA -- Berks County, PA dairy producers meet at Way-Har Farms, Bernville to discuss PA Senate Bill 993 with Senator Judy Schwank. *Zach Meck, Denny Wolff, Sherry Bunting, Daniel Brandt, Nelson Troutman*

May 19 – 7:30 p.m. Utica, N.Y. – DPAC meeting with dairy producers at Schuyler Town Hall. *Sherry Bunting, Bernie Morrissey, Laura Covert*

May 24-25 – Rochester, Minn. – Midwest Dairy Summit – *Joe Borgerding*

May 31 – East Lansing, Mich. – Senate Agriculture Committee Chair Debbie Stabenow will host a 2012 Farm Bill Hearing – *Howard Straub*

July 22 – Lancaster, PA – *Denny Wolff* invited to speak about dairy policy and DPAC at National Hoof Trimmers Association Convention, which will be in Lancaster, Pa. this year.

Respectfully submitted

Sherry Bunting, DPAC Correspondence Secretary

May 14, 2011