

Dairy Policy Action Coalition (DPAC) Minutes

March 11, 2010—10:00 a.m. – 3:00 p.m.

At the Farm & Home Center, Lancaster, Pennsylvania

Charter Board Members present: *Pennsylvania*—Clifford Hawbaker (chairman), Rob Barley (vice-chair-1), Daniel Brandt (vice-chair-2), Jake Esh, Duane Hertzler (by phone), Paul Horning, Doug Martin, Zach Meck (by phone), Dan Z. Stoltzfus, Nelson Troutman, Rodney Metzler, Max Smith, Eric Frederick, Dale Hoffman, Jon Jenkins, Gary Kline.
Ohio—Alan Kozak.

Professional Team present: *Recording Treasurer* - Bernard C. Morrissey
Correspondence Secretary - Sherry Bunting, Ag Writing Services
Gov. Relations/Advocacy: Dennis Wolff, Versant Strategies

Second-tier dairy producers attending from other states / regions:

- Bryan Gotham, Edwards, New York
- Jack Fritz, Springfield, Tennessee
- Bennie Sims, Kentucky
- LuAnn Troxel for Dave Forgey, Indiana (by phone)

Other dairy producers and industry people attending as guests:

- Mark Beiler, dairy producer, Ronks, Pennsylvania
- Alan Zepp, former dairy producer now with the PA Center for Dairy Excellence
- Robert Morris, Lanco-Pennland Cooperative – based in Hagerstown, Maryland
- Julie Walker, Tenn. crop farmer; writer for southern dairy organizations (by phone)

Guest speakers, who participated in panel discussion during the Board's milk pricing workshop:

- Bill Curley, Blimling & Associates – He is based in Pennsylvania (by phone)
- Marvin Hoekema, Dairy Decisions LLC – He is based in California (by phone)
- Ed Gallagher, Dairylea cooperative – based in Syracuse, New York (by phone)
- Kurt Williams, Lanco-Pennland cooperative – based in Hagerstown, Maryland
- Amanda St. Pierre, Dairy Farmers Working Together – Vermont producer (by phone)
- Doug Maddox, Holstein USA / Milk Producers Council – Calif. producer (by phone)
- Harry Stugart, western PA dairy nutritionist – author of Ration-All milk pricing
- Steve Mandl, western PA dairy producer – author of a consumer price index model
- Arden Tewksbury, Pro-Ag based in PA, author of S. 1645 (Specter-Casey bill)

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 10:05 a.m. with 17 board members present; of which 2 participated by teleconference.

Approval of Minutes:

- Rob Barley motioned to approve the Minutes of the Board meeting, which was conducted by teleconference on Feb. 9, 2010. Max Smith seconded the motion. The minutes were approved 17-0.

Approval of Treasurer's Report:

- The beginning balance on February 5, 2010 was \$14,939.96.
- Contributions from Feb. 6, 2010 through March 5, 2010 totaled \$9,840.00 from 10 agribusinesses and 43 dairy producers. Expenses paid Feb. 6 through March 5, 2010 totaled \$11,741.58, itemized as:
 - \$ 500.00 Westfield Insurance – General Liability Insurance
 - \$ 68.81 Premiere Global Services – Conference Call
 - \$1148.17 Agriculture Writing Services (S. Bunting) – Jan. 2010 Correspondence Secy Duties & Postage/Shipping
 - \$6725.00 Versant Strategies – Relations Services Feb. 2010 (contract amount plus expenses) and 3 months expenses
 - \$3000.00 Versant Strategies – Website Design
 - \$ 150.00 Yoder's Printing Inc – 1500 DPAC envelopes/1000 Letters
 - \$ 149.60 Morrissey Insurance – reimburse postage for mailings
- This left a Mar. 5, 2010 ending balance of \$13,038.38.
- Gary Kline motioned to approve the Treasurer's Report. Paul Horning seconded, and the motion passed 17-0.

Action Groups

- Chairman Cliff Hawbaker announced the addition of Mike Weimer, a dairy producer and cattle dealer in Emlenton, Pennsylvania, as an adhoc "second-tier" member of the Supply Management Action Group.
- Bryan Gotham, an upstate New York dairy producer, has been added as an adhoc "second tier" member of the Milk Pricing Action Group.
- Hawbaker asked the Board to be thinking about naming the Regulatory Action Group. This group will work on issues involving regulations and standards that affect milk supply/demand, quality, and ultimately pricing... For example:
 - Milk components (bringing the solids standards for fluid milk up to par with California)—Is this an opportunity to improve fluid milk quality and reduce powder supply at the same time? Look into the Univ. of Missouri study on milk solids.
 - Somatic Cell Count (SCC) standards—Look into a reduction in the legal limit to produce higher quality and potentially help manage milk supply.
- Hawbaker also asked the Board to be thinking about naming the Global Issues Action Group. This group will work on international markets and trade issues that affect milk pricing to see where DPAC fits into the discussion of issues like Country of Origin Labeling (COOL), trade agreements, etc.

Next Two Meetings

- **Board Meetings by teleconference at 1:00 p.m. on Apr. 8 and May 13.**
- Hawbaker suggested, and Board agreed, to have the April and May Board meetings by teleconference and keep to the schedule of second Thursday of the month. This accommodates more "second tier" members from other states in keeping with DPAC's national scope, and it helps given that April and May are a busy time of year on farms.

Update on Short Term Actions – Dennis Wolff

- **PA State Update** –Wolff and members of the PA State Issues Action Group met with PA Sen. Mike Brubaker (chair of Senate Ag Cmte.) on Feb. 17 to talk about legislative changes to the PA Milk Marketing Law.
 - Sen. Brubaker recommended going to the PA House Ag Committee also with these changes.
 - Wolff and the committee subsequently met with Rep. Mike Hanna (chair of House Ag Cmte.) on March 10.
 - Wolff reported back to Sen. Mike Brubaker and a meeting of the two committees together will be scheduled to move legislation forward on this PA state issue.
 - The three legislative changes were discussed as approved by the DPAC board on Feb. 9:
 - 1) Retail level sales of milk – PMMB previously had authority to regulate and track milk sales at the retail level, which may help in capturing the sales of milk that is produced and processed in the state, goes out of state to a distribution center and comes back in for resale.
 - 2) The definition of where the title of the milk changes hands. Language here could similarly help capture over order premiums on PA milk that leaves the state for processing and comes back in for retail.
 - 3) Pooling recommendation (100% pooling of the state over order premium) back to the dairy farmers. Language could include who is responsible for collecting and redistributing the premiums.
 - March 11 Board meeting guest Kurt Williams, general manager of Lanco-Pennland Quality Milk Producers Cooperative, raised questions about full pooling versus partial pooling. This was referred to the PA State Issues Action Group because the purpose of March 11 Board meeting and workshop was to focus on federal milk marketing system policies.
- **Federal Update** – Wolff reported continued dialog with Adam Tarr at Sen. Arlen Specter’s office in writing the language for the appropriations bill that would fund the implementation of Electronic Reporting as authorized in the 2007 Farm Bill.
 - Sen. Specter’s office is working with Sen. Herb Kohl’s office (D-Wisc) and Rep. Tim Holden’s office (D-PA) on this, and has asked USDA to come up with a budget figure so appropriations bill to fund Electronic Reporting can move forward. Request was not warmly received by USDA.
 - Timeline is to have appropriations bill for funding Electronic Reporting written by the end of April to be included in the budget process for 2010-11 Federal Budget.
 - Wolff emphasized that funding this segment of the current Farm Bill will make a significant difference in dairy price discovery.

The Board business meeting recessed at 10:20 a.m. for the Milk Pricing Workshop “market” panel and “supply/demand” panel and then reconvened after lunch at 1:10 p.m. (Separate notes for the Workshop panel discussion attached as “DPAC-ADDENDUM(Mar11-2010)WorkshopNotes”)

Milk Pricing Workshop Discussion / Action Items:

- After hearing the two morning panels and preliminary report of DPAC Dairy Producer Survey, the Board discussed their points of action. The purpose of the workshop was to find the areas of total agreement, areas of consensus, and areas of policy where they want to see something done, but need more information.
- Supply Management Action Group chair Jon Jenkins stressed that, “We have to work together, and the market panel gave us things we can work on right now.”
- Denny Wolff reminded the Board that legislators want to hear “one voice.”
- Rodney Metzler said, “We have to keep people looking at supply management even while we move forward on the pricing issues.”
- Alan Kozak said, “We have to keep putting on the pressure for electronic reporting.” He gave the analogy: “When the milk inspector comes to my farm, I can have a low SCC and plate count, but he will still check my equipment and processes. I have to show there is no potential for a problem, no matter how good my actual results may be. The same standard should be held for the market that determines our milk price.”
- Bryan Gotham said that, “The problem with supply management is: Who defines what a surplus is? Pricing needs to be first.”
- It was noted that if milk all of a sudden becomes short and the pricing reform actions are linked too closely with supply management, the momentum for change in how milk is priced could be deterred.
- After informal show of hands, Board recognized that getting consensus among dairy farmers on supply management will take a while, and Board did not want to hold up progress on pricing reform.
 - It was noted that if supply management is tied too tightly with pricing reform, the result might be that nothing gets done. The Board was very focused on speaking with one voice.
- The Board also came to consensus that they wanted to focus on achievable goals. Pricing and supply management plans were explained by participants in the morning panel discussion, but the Board had concern that some of these plans, while worthy, would require a complete change to the Federal Order system to a degree that may not be achievable. Thus they are in the category of “need more information.”
- The Board expressed desire to focus efforts on solutions that would change what drives the milk price and change what drives the manufacturing decisions:
 - To eliminate the government as default buyer and eliminate the impact of the “make allowances,” which together provide a nearly “riskless environment” for manufacturing expansion that is not based on what the market needs or wants and for which the risk falls to the dairy farmers to absorb in the blend price.
 - To focus on solutions that help the U.S. become a conscious exporter.
 - To know the market and make products for the market.

- **Four main points of action**—in a generalized draft form—were laid out through this discussion, with the idea that the Board would ask for feedback from the workshop panelists and develop a game-plan and timetable in committee:
 - 1) **Reduce the influence of the thinly traded Chicago Mercantile Exchange (CME) spot market for butter, powder—and especially cheese—on the farm milk price.**
 - Right now with daily spot trade on CME – big processors know what’s going on, but farmers don’t. This daily “market” can be influenced by private agendas. Market signals are delayed. CME cheese price can change on offer or bid, not just transaction. This drives the farm milk price.
 - The key to reducing CME spot influence is USDA Electronic Reporting – increase timing (daily) and audits (quarterly); include more manufactured products; and more accurate numbers for inventory, production, sources and uses. This would bring market transparency and timely price discovery of daily-negotiated transactions. (Example: USDA daily meat summary)
 - 2) **Eliminate Dairy Product Support Price purchases by the federal government.**
 - Replace with incentives for innovation. Produce for the market not for the government. Stop letting the world use the U.S. as a balancer.
 - At current levels, support price purchases do not benefit producers because they support the milk price at \$9.90, which is not a price that will sustain U.S. dairy farms.
 - Gov. support purchases slow recovery.
 - 3) **Stabilize Class I “Mover” and evaluate / update Location Differentials**
 - This goes with eliminating price support purchases because Class I ‘Mover’ is currently based on higher of Class III or IV manufacturing price (which are ‘floored’ at equivalent of \$9.90/cwt by powder, butter, cheese support prices).
 - 4) **Simplify system down to two milk classes** (fluid and manufacturing) instead of four milk classes – Need more information:
 - Look at “competitive pay price” for all manufacturing milk.
 - How two-class system could eliminate the controversial “make allowances” and send better market signals by sharing risk between processors and producers (prompting market-driven decisions VS. “make” decisions driven by the guaranteed margin.)

- Rob Barley made a motion in the form of a recommendation to move forward with the above listed four main action points, while supply and/or growth management ideas remain in discussion within the Supply Management Action Group. Paul Horning seconded the motion, and the motion passed 17-0.
- Board also recognized the need to influence other influencers, and in particular to develop dialog with National Milk Producers Federation (NMPF), which represents 60% of the nation's milk supply.

Supply Management Action Group Task:

- Board gave the Supply Management Action Group a priority task: To review the Dairy Growth Management Initiative (draft), which the Northeast Dairy Leadership Team (NEDLT) has participated in (and which has reportedly been discussed at various cooperative member meetings) and to come back to Board with a recommendation concerning this document.

Fundraising Action Group Report:

- Bernie Morrissey reported that the Fundraising Action Group will be working with Sherry Bunting on a story about DPAC contributors and ways to “become a friend of DPAC.” The committee will provide comments to encourage continued donations by fellow dairymen.
- Morrissey also reported on a dairy nutrition meeting in Lancaster County, PA, which he attended earlier in the morning before the board meeting, and where he spoke about DPAC and encouraged dairy producers and attending agribusinesses to contribute. As of March 5, DPAC has received donations from 143 dairy producers and 27 agribusinesses.

Bylaws and Articles of Incorporation Update:

- Bernie Morrissey reported that the Executive Board met by conference call with attorneys Lawrence Tabas and Walter Cohen to go over the DPAC bylaws.
- Lawrence Tabas will revise certain areas with suggested new language and then get back in touch with the Executive Board. Tabas is with Cohen's firm, and he specializes in nonprofit organizations that do lobbying. He was very thorough and had good insights, questions, and suggestions.
 - Some areas discussed include the coalition's purpose and statement of national scope, quorum, annual meeting, conducting business by remote access (teleconference or internet), chapter language, and indemnification.

The March 11, 2010 DPAC Board meeting adjourned at 3:00 p.m.

****Next meeting is April 8 at 1:00 p.m. by teleconference.**

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

March 20, 2010

SEE ATTACHED: “DPAC-ADDENDUM(Mar11-2010)WorkshopNotes”