

Dairy Policy Action Coalition (DPAC) Board Meeting Minutes

April 21, 2011—1:00 p.m. – 2:45 p.m.

By teleconference

Board Members present: *Pennsylvania*—Cliff Hawbaker (chair), Rob Barley (vice-chair), Jake Esh, Paul Horning, Duane Hertzler, Jon Jenkins, Nelson Troutman, Zach Meck, Dan Stoltzfus. *Ohio*—Alan Kozak. *New York*—Laura Covert. *North Carolina*—Ben Shelton. *Tennessee*—Jack Fritz. *Indiana*—Dave Forgey

Ad hoc Producer Members present: *Minnesota*—Joe Borgerding. *Wisconsin*—Ken Wunderlin. *Tennessee*—John Harrison. *Kentucky*—Bob Klingenfus. *Ohio*—Ryan Bushur. *Michigan*—Howard Straub

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

Guests: *Kentucky*—Maury Cox, Kentucky Dairy Development Council.

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 1:05 p.m. with 14 board members present; six ad hoc producer members present; all three members of the professional team present; and one guest present.

Approval of Minutes & Treasurer's Report:

- Chairman Hawbaker called for unanimous consent to approve the Minutes & Treasurer's Reports. Hearing no objections, the March 17 Minutes and April 14 Treasurer's Report were approved.
- **April 14, 2011 Treasurer's Report:**
 - **The beginning balance on March 10, 2011 was \$ 9,295.21**
 - Contributions from March 11 through April 14, 2011 totaled \$8,265.00 from 9 agribusinesses and/or organizations (\$5,500.00), and 23 dairy producers (\$2,665.00).
 - Expenses paid March 11 - April 14, 2011 totaled \$12,640.62, itemized as:

1) \$ 360.00	03/22/11Paige Eshelman—Services 3/7/11 – 3/17/11
2) \$ 95.15	03/22/11Morrissey Insurance—Postage 2/1/11 – 3/17/11
3) \$ 175.19	03/24/11Premiere Global Services – Conference Calls Letters & 700 Updates (all black/white)
4) \$ 165.00	04/05/11Farmshine—1/2 price advert 3/18 for Ohio meetings earmarked from Hills Supply donation: Inv#49058
5) \$ 50.00	04/05/11 Andy Gaskin – Website hosting / mntce March 2011
6) \$ 4842.36	04/05/11S. Bunting Ag Writing Services & Expenses March-2011
7) \$ 65.31	04/05/11Paige Eshelman—Reimburse ink, folders, envelopes
8) \$ 249.00	04/05/11Paige Eshelman—Services 3/22/11 – 4/1/11
9) \$ 710.00	04/14/11Yoders Printing—1000 producer donation letters; 1000 About DPAC flyers, 1000 Cornerstone Summary; 300 Cornerstone booklet, 1000 Open Letter; 500 Working Draft
10) \$ 5725.00	04/14/11Versant Strategies—April 2011 Relations Services & Expenses
11) \$ 203.61	04/14/11Premiere Global Services—Conference Calls
 - **This left an ending balance on April 14, 2011 of \$ 4,919.59**

Approval of Executive Board and Activities Report:

- Chairman Hawbaker called for unanimous consent to approve the Executive Board & Activities Report detailing activities from Feb. 21 through Apr. 16, 2011. Hearing no objections, the Report was approved for web-posting.

Federal Legislative Update & DPAC / SEDC Draft Bill Working Group Progress Report:

- Denny Wolff reported on the progress of the Draft Bill Working Group, which had multiple committee conference calls over the past few weeks on three of the bill's five preliminary parts (bloc voting, Market Cow Bonus Program, Federal Order Price Reform).
- The first draft had eliminated MILC, but the Working Group and DPAC Executive Board decided March 29 to leave MILC in effect, and pursue modifications to the program. One thing is clear: The bill needs to cut federal spending on dairy, and we don't have a good handle on how much money is saved by eliminating the Dairy Product Price Support Program.
- **Timeline:** Should start "marketing" the bill in Washington D.C. in May. Wolff has been in touch with Senator Casey's office and some other members of Congress. Discussion of other suggestions on who could be the champion for this bill once the ideas are put into language.
 - A suggestion was made to have someone completely outside of dairy look at the dairy pricing system; perhaps even a "free market think tank."
- The Draft Bill Working Group had researched the **bloc voting piece**, and then agreed to remove this piece from the DPAC bill and, instead, work with Sen. Kirsten Gillibrand's (D-NY) office since she already has a bill introduced entitled "Democracy for Dairy Producers." While the Working Group agreed that bill's language is not strong enough, they also agreed it would be better to work toward improving that bill instead of including the bloc voting piece in the DPAC/ SEDC bill because it is very complex and could drag down the forward progress of this bill.
- **Federal Order Pricing Reform:** A handful of producers from the Draft Bill Working Group will meet in Milwaukee with an expert panel made up of Mark Stephenson and Bob Cropp and Calvin Covington. Denny will facilitate the meeting to drill down into the details of a new milk pricing system and to better understand elements of the current pricing system.
 - The purpose of the four-hour fly-in on April 28 will be to gain a better understanding of NMPF's Federal Order Price Reform proposal;
 - But more importantly the April 28th meeting will seek to understand how a true two-class system could be developed, how it could work, and what its impact would be on different regions of the country.
 - One of the concerns to be addressed is minimum pricing.
 - Can it be done on component value instead of classes of milk – draw from the pool – pay on what is wanted from the milk?

Milk Pricing Action Group Report:

- Report handled in discussion of FO Price Reform (above).

Supply Management Action Group Report:

- **Market Cow Bonus Program (MCBP)** was discussed as the "Voluntary Market Adjustment" tool in the DPAC bill: The full DPAC and SEDC board and ad hoc members had previously received Chuck Nicholson's Draft analysis of the MCBP.

- Draft analysis of MCBP was viewed as favorable in terms of producer milk prices, net farm operating income, and in having some effect on reducing federal dollars spent on MILC. Even those members of the Board who are totally against any form of supply management agreed that the Market Cow Bonus Program is truly a Voluntary Market Adjustment.
 - **Chairman called for a vote on whether the MCBP should be included in the bill, and the response was unanimous consensus among 14 board members and six ad hoc members on the call to include the MCBP in the bill.**
 - Ben Shelton and John Harrison were thanked for their work on the parameters (see attachment). And a big “thank you” went to Upper South Milk (US Milk) who agreed to pay for Nicholson’s analysis.
 - The Draft Bill Working Group will meet again before the next DPAC Board meeting and clarify any further questions for Nicholson’s final analysis report on the MCBP, which will include some general comparisons to FFTF.
 - **Everyone felt strongly that the MCBP should always be referred to as a Voluntary Market Adjustment Program and not a Mandatory Supply Management Program.** The distinction is very important since MCBP is voluntary and incentive-based rather than mandatory and penalty-based like other proposals.
 - **MCBP positives were discussed as:** 1) All producers pay in and all producers directly have the opportunity to receive a benefit back. 2) Market adjustment decisions remain voluntary at the farm level. 3) The program provides an incentive to cull and receive a beef premium during a time of declining milk prices.

Global Issues Action Group Report:

- Big question: How to get processors and cooperatives to make other products that have higher value in world market.
- Global Issues Chairman Dave Forgey suggested: Use the Fonterra auction along with the CME in U.S. pricing to force U.S. processors to start making the products because the world price would be figured in and it is currently \$2 to \$4 higher than the U.S. price. World prices have been higher than U.S. prices in most months for the past two to four years.

Marketing Models Subcommittee Report:

- The Subcommittee wants to know more about IDFA’s proposal.
- IDFA’s proposal seems to align more with DPAC compared with NMPF’s proposal, but the details could be a different story. DPAC wants to understand the details.
- The Executive Board has requested Denny Wolff set up a meeting with IDFA.
 - Want to understand their proposal: Is it a two-class or a one-class system?
 - Would the authority of FO’s disappear under IDFA’s proposal and how would that impact producers?
 - Ability to forward contract and lock in a price would be a plus; but would this lead to large bottlers contracting with large farms only? Many questions.
 - If IDFA proposal transitions to no pooling, what will the FO purpose be?
 - Several Board members also have been corresponding with individual processors to see where producers and processors may have common ground.
 - Where do we agree and disagree?
 - What are the intentions and impact of IDFA’s proposal?

Standards & Regulations Action Group Report:

- Alan Kozak reported still waiting to see if bill will be introduced on milk solids standards. NAJ is reportedly working on this.

Southeast Dairy Coalition Report:

- Transportation Credits were discussed, and Chairman Hawbaker urged waiting for the Draft legislation to be written and see the overall impact before deciding the best way to approach the T-credit issue, particularly since NMPF's proposal seeks to expand them.
- Maury Cox from Kentucky reported the KDDC Board met and heard Calvin Covington's presentation, which included notation of the new "intra-market T-credits" that NMPF is proposing as part of Foundation for the Future (FFTF), which would affect Northeast and other regions, not just the Southeast anymore. The KDDC Board also listened to a power point presentation by NMPF on FFTF.
- KDDC voted to oppose just parts of FFTF. They oppose the Federal Order Reform piece and the supply management piece. KDDC also voted, again, to oppose bloc voting by cooperatives on producer referendums for Federal Order changes.
- Sherry Bunting reported receiving correspondence from Georgia Milk Producers, Inc., that they oppose FFTF and support DPAC / SEDC effort to produce alternative legislation. Georgia Milk is now the second producer organization (Tennessee Dairy Producers Assn being the first) to take this board action. Individual dairy producers are also sending in their letters.

Midwest Report:

- Alan Kozak and Ryan Buschur reported from Ohio. Ryan is talking with Ohio Farm Bureau lobbyist about doing a roundtable having NMPF, DPAC, others as an educational forum. He felt Farm Bureau philosophically aligns well with DPAC. He also has talked to other producers and dropped off some DPAC paperwork.
- Howard Straub of Michigan reported that Senator Debbie Stabenow, Chair of the Senate Ag Committee, will be in Michigan to have a listening session in May. He met with her staff on April 6 and got the message that Foundation for the Future (FFTF) is the only thing in Washington right now on dairy policy. He also cautioned DPAC against calling the Market Cow Bonus Program a supply management plan. He urged the DPAC board to have its legislative outline ready for Sen. Stabenow's event in Michigan in May. Straub also asked if Sherry could do meetings in Michigan similar to what was done in Indiana.
- Joe Borgerding reported from Minnesota that a Midwest Dairy Summit is being planned for May 24 and 25 for Wisconsin and Minnesota. It will be time spent getting ideas together and discussing them. They hope to have Mark Stephenson at that Summit.
 - Question: Could DPAC be represented?

New York Report:

- Laura Covert was unavailable to report as she was only on for a portion of the call.
- Sherry Bunting reported that Deb Windecker and Laura Covert are working on a NY DPAC meeting for May.

Fundraising & Finances Report:

- Treasurer Bernie Morrissey thanked everyone for giving funds to get DPAC through its first 16 months. He said he takes seriously his job to keep the financing going and to pay all the bills.
- The donations are staying just one step ahead of the bills.
- The three or four local Pennsylvania businesses that have given so much every month to help DPAC get started (Sensenig Feed Mill, E-Zee Milking, Mark Hershey Farms, and Lancaster Dairy Farm Automation, Hooper Inc, and Binkley & Hurst) can't keep it up indefinitely and some have stopped or reduced the monthly contributions.
- Bernie read a letter from one of the Board members stating that it's time for the producers to step up and carry more of the weight, starting with each director giving one cent per hundredweight on a monthly basis. Some are already doing this, plus paying all their own expenses for meetings, etc.
- Bernie reported that, on a per-month basis, DPAC has been receiving (for the first 16 months) an average of \$10,651 per month. The budget costs are at \$12,000 per month. Other states are helping with costs from their own budgets, which helps.
- Bernie recommended the Finance Committee convene and make some recommendations for continuing to fund DPAC's efforts.

Pennsylvania State Issues Action Group Report:

- Denny Wolff reported on the progress of Senate Bill 993. As of April 21, there were 14 co-sponsors along with Sen. Mike Brubaker, the bill's prime sponsor.
- The bill essentially captures the state-mandated over order premium by revising the definition of "distributor." It proposes to collect the premiums at the wholesale level using a Producer Settlement Fund. The premiums would be pooled for redistribution directly to producers, and the term "producer" would be redefined so that it no longer would include "cooperative" as a "producer" for the purpose of receiving the state-mandated over-order premium. The bill would also expand the PMMB to five members instead of the current three-member board.
- Wolff has been in touch with Mike Rader at Sen. Ag Committee Chairman Elder Vogel's office.
- Going forward, it was noted that Wolff should be notified when a DPAC member has an opportunity to speak with a Senator on this issue in Harrisburg to coordinate the effort at the Capitol. In the home districts, grassroots lobbying is still very effective.

NEXT MEETING

- The next meeting of the DPAC Board is **Thursday, May 19, 2011 at 1:00 p.m.** by teleconference: **# 1.888.394.8197 – Passcode 292858**

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

May 13, 2011